

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-K**

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
For the fiscal year ended December 31, 2008

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 001-32686

**VIACOM INC.**

(Exact name of registrant as specified in its charter)

**DELAWARE**  
(State or other jurisdiction of  
incorporation or organization)

**20-3515052**  
(I.R.S. Employer  
Identification Number)

**1515 Broadway  
New York, NY 10036  
(212) 258-6000**

(Address, including zip code, and telephone number,  
including area code, of registrant's principal executive offices)

**Securities Registered Pursuant to Section 12(b) of the Act:**

<b>Title of Each Class</b>	<b>Name of Each Exchange on Which Registered</b>
Class A Common Stock, \$0.001 par value	New York Stock Exchange
Class B Common Stock, \$0.001 par value	New York Stock Exchange
6.85% Senior Notes due 2055	New York Stock Exchange

**Securities Registered Pursuant to Section 12(g) of the Act:**

None  
(Title Of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes  No

As of the close of business on June 30, 2008, the last business day of the registrant's most recently completed second fiscal quarter, there were 57,362,613 shares of the registrant's Class A common stock, par value \$0.001 per share, and 565,353,499 shares of its Class B common stock, par value \$0.001 per share, outstanding. The aggregate market value of Class A common stock held by non-affiliates as of June 30, 2008 was approximately \$322.4 million (based upon the closing price of \$30.61 per share as reported by the New York Stock Exchange on June 30, 2008). The aggregate market value of Class B common stock held by non-affiliates as of June 30, 2008 was approximately \$16.5 billion (based upon the closing price of \$30.54 per share as reported by the New York Stock Exchange on June 30, 2008).

As of January 31, 2009, 57,362,086 shares of our Class A common stock and 548,945,967 shares of our Class B common stock were outstanding.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of Viacom Inc.'s Notice of 2009 Annual Meeting of Stockholders and Proxy Statement to be filed with the Securities and Exchange Commission pursuant to Regulation 14A of the Securities Exchange Act of 1934, as amended (the "Proxy Statement") (Portion of Item 5) (Part III).

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## PART I

### Item 1. *Business.*

Viacom is a leading global entertainment content company. We engage audiences on television, motion picture, Internet, mobile and video game platforms through many of the world's best known entertainment brands. We manage our operations through two reporting segments: *Media Networks* and *Filmed Entertainment*. References in this document to "Viacom," "Company," "we," "us" and "our" mean Viacom Inc. and our consolidated subsidiaries through which our various businesses are conducted, unless the context requires otherwise.

#### **Media Networks**

Our *Media Networks* segment provides entertainment content for consumers in key demographics attractive to advertisers, distributors and retailers. We create and acquire programming and other content for distribution to our audiences how and where they want to view and interact with it: on television, the Internet, mobile devices, video games and a variety of consumer products. MTV Networks reaches over 578 million households worldwide via its approximately 165 channels and multiplatform properties, which include MTV: Music Television<sup>®</sup>, MTV2<sup>®</sup>, mtvU<sup>®</sup>, MTV Tr3s<sup>®</sup>, VH1<sup>®</sup>, VH1 Classic<sup>™</sup>, CMT<sup>®</sup>: Country Music Television<sup>™</sup>, Logo<sup>®</sup>, Nickelodeon<sup>®</sup>, Nick at Nite<sup>®</sup>, Noggin<sup>®</sup>, The N<sup>®</sup>, Nicktoons<sup>®</sup>, Neopets<sup>®</sup>, COMEDY CENTRAL<sup>®</sup>, Spike TV<sup>®</sup> and TV Land<sup>™</sup>, among others. MTV Networks also has a growing video game business that includes the successful *Rock Band*<sup>®</sup> franchise and casual gaming websites such as Addictinggames.com and Shockwave.com. BET Networks is a leading provider of entertainment, music, news and public affairs television programming targeted to the African-American audience and can be seen in the United States, Canada, the Caribbean, the United Kingdom and sub-Saharan Africa.

#### **Filmed Entertainment**

The *Filmed Entertainment* segment produces, finances and distributes motion pictures and other entertainment content under the Paramount Pictures<sup>®</sup>, Paramount Vantage<sup>™</sup>, Paramount Classics<sup>™</sup>, MTV Films<sup>®</sup> and Nickelodeon Movies<sup>™</sup> brands. The *Filmed Entertainment* segment will also continue to release a number of pictures under the DreamWorks<sup>™</sup> brand. Paramount Pictures has been a leading producer and distributor of motion pictures since 1912 and has a library consisting of approximately 3,500 motion pictures and a small number of television programs. It also acquires films for distribution and has distribution relationships with DreamWorks Animation and Marvel. Paramount also distributes motion pictures and other entertainment content on DVD, television, digital and other platforms in the United States and internationally, and is expanding its presence in the games business.

Our *Media Networks* segment derives revenues principally from advertising sales, affiliate fees and ancillary revenues. Revenues from the *Filmed Entertainment* segment are generated primarily from the theatrical release and/or distribution of motion pictures, sale of home entertainment products such as DVDs, and licensing motion pictures and other content to pay and basic cable television, broadcast television, syndicated television and digital media outlets. Revenues from the *Media Networks* segment accounted for 60%, 60% and 64% of our revenues for 2008, 2007 and 2006, respectively, and revenues from the *Filmed Entertainment* segment accounted for 41%, 41% and 37% of our revenues for those periods, respectively, with elimination of intercompany revenues being (1)%, (1)% and (1)%, respectively. We generated approximately 71% of our total revenues in 2008 from domestic operations, 73% in 2007 and 76% in 2006, with 29%, 27% and 24%, respectively, generated internationally. In 2008, our total international revenues were \$4.254 billion, of which 64% was generated in Europe.

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### **2008 Restructuring**

To better align our organization and cost structure with current economic conditions, we undertook a strategic review of our businesses in the fourth quarter of 2008 which resulted in a reduction in our workforce by 890 positions and write-downs of certain programming and other assets. These actions resulted in aggregate pre-tax restructuring and other charges of \$454 million, of which approximately \$80 million relates to severance actions and the remainder relates primarily to the write-down of programming and other assets. See Note 15 to the Consolidated Financial Statements for additional information.

### **Corporate Information**

We were organized as a Delaware corporation in 2005 and our principal offices are located at 1515 Broadway, New York, New York 10036. Our telephone number is (212) 258-6000 and our website is [www.viacom.com](http://www.viacom.com). Information on our website is not intended to be incorporated into this annual report.

### **Business Strategy**

We produce and distribute television programming, motion pictures and other entertainment content under some of the world's best known entertainment brands, many of which are household names worldwide. Our focus is on our audience, providing them the entertainment they want to experience, how and when they want to experience it. Key elements of our strategy include:

- expanding and enhancing our brands worldwide through the creation and acquisition of hit programming, new channels, successful motion pictures and other forms of entertainment, including additional video game offerings;
- strengthening our relationships with our advertising, cable, satellite, online and mobile partners, as we work together to develop new ways of serving our audiences;
- the continued expansion and monetization of our online and mobile entertainment experiences;
- rationalizing our motion picture slate in terms of the number and type of films produced, focusing in particular on franchise properties, as well as associated marketing approaches, and capitalizing on international production and distribution and global digital opportunities; and
- continued operational discipline throughout our organization to generate efficiencies and effectively execute our strategy.

In connection with these efforts, we are committed to fostering a creative and diverse culture, which will enable us to continue to develop unique and cutting-edge content for our audiences and maintain our position as a market leader.

### **MEDIA NETWORKS**

Our media networks, MTV Networks and BET Networks, operate their program services, websites and other digital media services in the United States and abroad. Our *Media Networks* segment generates revenues principally from three sources: (i) the sale of advertising time on our program services and digital properties, (ii) the receipt of affiliate fees from cable television operators, direct-to-home satellite operators, mobile networks and other content distributors and (iii) ancillary revenues, which include the creation and publishing of video games and other interactive products, home entertainment sales of our programming, the licensing of our content to third parties and the licensing of our brands and properties for consumer products. In 2008, advertising revenues, affiliate fees and ancillary revenues were approximately 54%, 30% and 16%, respectively, of total revenues for the *Media Networks* segment.

## **Advertising Revenues**

The advertising revenues generated by each program service depend on the number of households subscribing to the service, household and viewership demographics and ratings as determined by third party research companies such as The Nielsen Company (US), LLC (“Nielsen”). Our media networks properties target key audiences considered particularly attractive to advertisers. For example, MTV targets teen and young adult demographics, Nickelodeon targets kids and their families and BET programming targets African-American audiences.

The advertising industry modified the way it measures ratings in 2008 by moving to commercial ratings, which measure audience size for a commercial. Commercial ratings are measured on a “C3” basis, which counts the number of viewers that watch the commercial live or via playback during the three days following the live broadcast. In 2008, the majority of our guaranteed deals were sold on the C3 metric. We regularly evaluate the structure, content and volume of our advertising spots, and throughout 2008 took measures that resulted in improved audience retention.

In 2008, domestic and global economic conditions worsened significantly, which had a rapid, negative effect on the advertising market, weakening the businesses of partners who purchase advertising on our networks and reducing their spending on advertising generally. Current economic conditions have adversely affected our advertising revenues and such effect could continue or worsen. Our advertising revenues may also fluctuate due to the ratings of our channels (including the timing and success of new programs) and seasonal variations, typically being highest in the fourth quarter.

Some of our program services experienced ratings declines in 2008, which, coupled with economic conditions, caused our domestic advertising revenue to decline. Ratings challenges could reduce the amount of advertising revenue we receive and negatively affect our results of operations, and our expenses may increase moderately as we invest in new programming.

Our digital revenue is derived from a combination of advertising and sponsorships. Our *Media Networks* segment operates approximately 400 digital media properties around the world, including websites, WAP sites, broadband services and virtual worlds, and during the fourth quarter of 2008, we collectively averaged approximately 89 million unique visitors per month. Our on-air programming drives traffic to our digital properties and vice versa, allowing convergent, or cross-platform, advertising sales. MTV Networks also syndicates ad-supported long-form and short-form video content to select online destinations which creates additional opportunities for audiences to interact with our content online, ultimately driving viewership back to our core channels and digital properties. Our Flux platform, which allows users to connect, share and interact with content and other users across a network of websites, expands user experiences and creates a seamless connection between our sites, as well as content and communities from all over the Internet.

## **Affiliate Fees**

Revenues from affiliate fees are negotiated with individual cable and satellite television operators, mobile and online networks and other distributors, generally resulting in multi-year carriage agreements with set rate increases that provide us with a reasonably stable source of affiliate fee revenue. The amount of the fee we receive is determined in part by the number of subscribers to and success of the programming offered by our program services. We engage in negotiations with our cable and satellite affiliate partners on a rolling basis. We are exploring ways to build stronger and more expansive multi-media partnerships with the various distributors of our content that maximize the value of our content for us, our audience and our affiliate partners, such as increased and customized content offerings for video-on-demand and Internet distribution with our cable and satellite partners. We also receive e-commerce revenues from our digital operations.

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### **Ancillary Revenues**

Our ancillary revenues are principally derived from the creation and publishing of video games and other interactive products, sales of home entertainment products such as DVDs, content licensing and licensing for consumer products.

In connection with our 2006 acquisition of Harmonix Music Systems, Inc. (“Harmonix”), we expanded our operations to include the creation, marketing and publishing of video games and other interactive products. Following our launch of *Rock Band* in 2007, we released *Rock Band 2* on the Xbox 360<sup>®</sup>, PlayStation<sup>®2</sup> and PLAYSTATION<sup>®3</sup> platforms and both *Rock Band* and *Rock Band 2* on the Nintendo Wii platform in 2008. We also expanded into international markets such as Italy, Sweden and Spain. The *Rock Band* series of games allows players to experience music in a new way, by playing as part of a virtual band using drum, bass/lead guitar and microphone peripherals. *Rock Band* gamers can download songs spanning all genres of rock, which provides another source of ancillary revenue for us. Electronic Arts co-manufactures, co-markets and distributes *Rock Band* for us in exchange for certain fees. We also continue to receive royalties from third party sales of certain related games and products, including *Guitar Hero*, which is published by Activision, and are exploring additional digital applications for our games. Revenues from our video game business are dependent on consumer acceptance of our games and related offerings and may fluctuate.

We distribute our programming in the home entertainment market through the sale and rental of DVDs, video-on-demand, download-to-own and download-to-rent services. We also license our television programs and the concepts and/or formats of such programs to third parties for licensing fees and royalties. For example, TV Land’s new reality series *She’s Got The Look* has been licensed in over 65 countries worldwide. We also have a worldwide consumer products licensing business, which licenses popular characters from our programs, such as those featured in *SpongeBob SquarePants*, *The Backyardigans*, *Dora the Explorer*, *Neopets* and *South Park*, in connection with merchandising, video games and publishing worldwide. We generally are paid a royalty based upon a percentage of the licensee’s wholesale revenues, with an advance and/or guarantee against future expected royalties. Licensing revenue may vary from period to period depending on the popularity of the program available for license in a particular period and the popularity of licensed products among consumers.

### **Strategic Relationships**

Our Media Networks properties have forged a number of strategic relationships with other leading companies:

- We distribute content through online syndication partners including AOL, MySpace, Hulu, Bebo, Comcast’s Fancast, Joost, MSN, Dailymotion and Veoh, and mobile partners including AT&T, Verizon Wireless and Sprint Nextel.
- We have arrangements with download-to-own services, including Apple’s iTunes, Amazon, Sony’s PlayStation and Microsoft’s Xbox 360, to make various Media Networks programs available for purchase online.
- We have a strategic alliance with Microsoft under which, among other things, Microsoft licenses certain content from us on a non-exclusive basis for use on Microsoft properties such as MSN and Xbox, purchases certain specified amounts and types of advertising from us, and will provide its proprietary online advertising serving solution to us. Microsoft also distributes downloadable content for *Rock Band*.
- We have entered into a relationship with Electronic Arts for the co-manufacturing, co-marketing and distribution of our *Rock Band* franchise.

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- Nickelodeon has partnered with DreamWorks Animation to create animated television series based on popular DreamWorks Animation theatrical motion pictures. The first series, *Penguins*, which is based on the penguins from *Madagascar*, is scheduled to air in early 2009. Nickelodeon is also working with Sony Music on music-based television programming for its target audiences.

### Media Networks Properties

MTV Networks is principally comprised of four groups based on target audience, similarity of programming and other factors: the Music and Logo Group, the Kids and Family Group, the Entertainment Group and International. BET Networks' businesses include BET, BET International and BET.com, among other properties. Information about our key media networks properties is discussed below. Unless otherwise indicated, the domestic television household numbers are according to Nielsen, the Internet user data is according to comScore Media Metrix (U.S. data only unless otherwise indicated) and the video stream data is based on internal tracking. International reach statistics are derived from internal data coupled with external sources when available.

#### Music and Logo Group

The Music and Logo Group includes our music-oriented program services and digital properties, which generally provide youth-oriented programming targeting the 18-24 and 18-34 demographics, the Harmonix and MTV Games video game operations, and Logo, our channel for the lesbian, gay, bisexual and transgender audience. Some of our key brands in this group include:



#### MTV: Music Television

- MTV is a leading multimedia destination offering a diverse line-up of original programming, music videos, news and commentary, and awards shows, among other programs. MTV's programming covers everything from music, fashion, lifestyle and sports to attitudes, politics, news and trends. MTV was named the Best Global Pure Media Brand for the ninth year in a row, according to the 2008 Business Week/Interbrand "Best Global Brands" Study.
- Programming highlights in 2008 included new original programming such as *Randy Jackson Presents: America's Best Dance Crew*, *From Gs to Gents* and *Paris Hilton's: My New BFF*, as well as returning favorites such as the *VMAs*, the *MTV Movie Awards*, *The Hills*, *The Real World*, *Run's House* and *A Shot At Love 2 with Tila Tequila*. MTV operates numerous online destinations, communities and virtual worlds, delivers and creates content for its robust MTV mobile platform, has interests in home video, radio syndication, recorded music, publishing and consumer products.
- MTV reached approximately 97 million domestic television households as of December 31, 2008. Worldwide, MTV reached more than 660 million households in 162 countries and territories as of December 31, 2008 via its channels and branded program blocks shown on third party broadcasters.



#### MTV Digital

- MTV.com is an ad-supported online/broadband service featuring entertainment and pop culture content, including music, music videos and performances, news and interviews, movies, casual games, ringtones, and links to MTV shows and specials. Its Flux platform allows users to connect, share and interact with content and other users across a network of websites.
- VMTV.com features MTV's various virtual worlds, which allow users to shop, watch videos, start their own bands, create their own clothing and enjoy in-world appearances by MTV cast members and musical guests.
- In the fourth quarter of 2008, MTV.com averaged approximately 8 million monthly unique visitors and 67 million video streams each month.



#### MTV2

- MTV2 is a music-oriented network featuring music videos, long form music programs, exclusive access to interviews with bands and groundbreaking music before it hits mainstream, as well as a line-up of irreverent, lifestyle and cross-platform programming.
- Programming highlights in 2008 were driven by MTV series including *Randy Jackson Presents: America's Best Dance Crew*, *Run's House* and *Bam's Unholy Union*, as well as various Action Sports Tour events.
- MTV2 reached approximately 75 million domestic television households as of December 31, 2008.



#### mtvU

- mtvU is an on-air, online, wireless and on-campus network created by and for the college audience. Distributing its content via satellite 24 hours a day to over 750 campuses and through cable, mobile and other outlets, mtvU is the largest and most comprehensive multiplatform channel for college students.
- mtvU also owns and operates websites dedicated to matters of interest to college students and college communities, including [www.mtvu.com](http://www.mtvu.com) and [www.RateMyProfessors.com](http://www.RateMyProfessors.com), a network of college newspaper websites referred to as the College Media Network, and a network of local online guides to life around campus known as Campus Daily Guide.



#### MTV Tr3s

- This bi-cultural entertainment destination showcases the fusion of Latin and American music, cultures and languages. MTV Tr3s is available in over half of domestic Hispanic television households. MTV Mobile also launched MTV Tr3s Mobile as a separate linear video channel with Verizon Wireless in March 2008.
- MTV Tr3s reached approximately 7 million Hispanic households and approximately 36 million domestic television households as of December 31, 2008.



#### VH1

- VH1's variety of original and acquired programming primarily focuses on music, artists and pop culture through its series, specials and live events. VH1 operates numerous online destinations, creates content for its mobile platform and has interests in home video, publishing and consumer products.
- Programming highlights in 2008 included new original programming such as *I Love Money*, *Brooke Knows Best* and *I Want to Work for Diddy*, as well as returning favorites *Rock of Love 2 with Bret Michaels*, *Celebrity Rehab with Dr. Drew* and *Scott Baio is 46 ... and Pregnant*.
- VH1 reached approximately 97 million domestic television households as of December 31, 2008.



#### VH1 Classic

- VH1 Classic features music videos and concert footage from the 1970s, 1980s and 1990s, as well as other music-themed programs, including compilation shows, documentaries, movies and full length concerts.
- Programming highlights in 2008 included *Rush Hashanah*, *AC/DC Day*, *VH1 Classic Celebrates Dylan*, *VH1 Classic's All Time Top Ten* and *VH1 Classic's One-Hit Wonders*.
- VH1 Classic reached approximately 54 million domestic television households as of December 31, 2008.



#### **VH1 Digital**

- VH1 Digital, which includes VH1.com, VH1Classic.com, VH1 Mobile, VH1 Games and targeted websites such as BestWeekEver.TV, brings users music and pop-culture content, live events and performances, exclusive celebrity interviews, news, original series, online games and extensive broadband video, including thousands of music videos.
- In the fourth quarter of 2008, VH1.com averaged approximately 3.7 million monthly unique visitors and 19 million video streams each month.



#### **CMT: Country Music Television and CMT.com**

- CMT is the top-rated country music network in the United States, carrying original country-music related programming, specials, live concerts and events and music videos. CMT.com features the largest collection of country music videos online and is an authority in country music, news, events and awards shows.
- Programming highlights in 2008 included new original programming such as *Gone Country*, *Can You Duet* and *My Big Redneck Wedding*, returning favorites *CMT Music Awards*, *CMT Crossroads*, *Coyote Ugly*, *Dallas Cowboy Cheerleaders* and *Country Fried Home Videos*. *Beer for My Horses* released theatrically and on DVD and the motion picture.
- CMT reached approximately 88 million domestic television households as of December 31, 2008. In the fourth quarter of 2008, CMT.com averaged approximately 2.3 million monthly unique visitors and 9.5 million video streams each month.



#### **Logo**

- Logo features lesbian and gay-themed feature films, documentary series, newscasts tailored for the lesbian, gay, bisexual and transgender (“LGBT”) community, and original shows and specials. Logo’s family of websites, including LOGOonline.com, Afterellen.com, Afterelton.com, Downelink.com and 365Gay.com feature a large library of mainstream LGBT-themed streaming video as well as original shows, podcasts, news, blogs and other entertainment that have made it a leading destination for this audience.
- Programming highlights in 2008 included the hit original film *Noah’s Arc: Jumping the Broom*, original programs such as *Sordid Lives: The Series*, *Shirts & Skins*, *Gimme Sugar* and *The Big Gay Sketch Show*, and acquired programs such as *Queer as Folk* and *The L Word*.
- Logo reached approximately 36 million domestic television households as of December 31, 2008 according to internal data.



#### **Harmonix and MTV Games**

- Harmonix is one of the world’s leading developers of music-based games, including our *Rock Band* franchise and such games as *Guitar Hero*, *Frequency*, *Amplitude* and the *Karaoke Revolution* series. In 2008, *Rock Band* and *Rock Band 2* sold over 3.8 million bundles, 1.5 million units of standalone software and 900,000 units of standalone hardware domestically. In 2008, players downloaded over 30 million songs via Xbox Live and the PlayStation Network. Harmonix and MTV Games continue to forge partnerships with legendary musicians and bands to provide content for its video games, including a groundbreaking video game featuring the music of The Beatles, which is expected to be released in 2009.
- MTV Games is dedicated to creating, marketing and publishing high-quality, innovative interactive products that are relevant to the MTV audience and deepen their connection to MTV’s core content. MTV Games publishes the *Rock Band* series of games.



Other key properties of the Music and Logo Group include MTV Films, MTV’s motion picture brand, under which Paramount released *Stop-Loss* and *How She Move* in 2008; and Palladia, a music-centric high definition television channel (formerly MHD).

### **Kids and Family Group**

The Kids and Family Group provides high-quality entertainment and educational programs, websites and broadband services targeted to kids ages 2-17 and their families. Some of our key properties in this group include:



#### **Nickelodeon and Nick at Nite**

- Nickelodeon has been the number one rated basic cable network for 14 years according to Nielsen. Nickelodeon and the Nick Jr. programming block feature original programming for kids during daytime hours. Nickelodeon produces and distributes television programming worldwide, has a global consumer products business and is a leading developer of digital content for kids. Programming highlights in 2008 included new original programming such as *The Mighty B!* and *Tru Jackson, VP*, as well as returning favorites *SpongeBob SquarePants*, *iCarly* and *The Fairly OddParents*. Nick Jr. favorites include *Dora the Explorer*, *The Backyardigans*, *The Wonder Pets*, *Blue's Clues* and *Go, Diego, Go!*.
- Nick at Nite airs during the evening hours and overnight and features classic sitcoms as well as family friendly original programming. Programming highlights in 2008 included *George Lopez*, *Home Improvement* and *Family Matters*.
- Nickelodeon and Nick at Nite reached approximately 98 million domestic television households as of December 31, 2008. Worldwide, Nickelodeon can be seen in approximately 400 million households in 147 territories as of December 31, 2008 via its channels and branded program blocks shown on third party broadcasters.



#### **Noggin**

- Noggin is a commercial-free, educational channel for preschoolers that launched as a stand-alone channel in January 2008, having previously been shown only during the daytime hours with The N showing at night. Noggin.com features games, videos, educational and other content for preschoolers.
- Noggin programming highlights in 2008 included a mix of original Noggin programming such as *Pinky Dinky Doo*, *Toot & Puddle*, *Jack's Big Music Show* and *Max & Ruby* as well as licensed Nick Jr. programs.
- Noggin reached approximately 69 million domestic television households as of December 31, 2008.



#### **The N**

- The N features programming targeting teens and the issues they face. It was separated from Noggin in January 2008. The-N.com has a family of websites with games, videos and quizzes, including Quizilla.com.
- Programming highlights in 2008 included *Queen Bees*, *Instant Star*, *Degrassi* and *That 70s Show*.
- The N reached approximately 66 million domestic television households as of December 31, 2008.



#### **NICKTOONS**

- NICKTOONS is one of the leading cartoon destinations for kids and animation lovers.
- Programming highlights in 2008 included the *Nicktoons Network Animation Festival*, *Speed Racer*, *Making Fiends* and *Three Delivery*.
- NICKTOONS reached approximately 53 million domestic television households as of December 31, 2008.



#### **Neopets.com**

- Neopets is an online youth-focused virtual world that allows members to create and take care of virtual pets. It also offers games, auctions, trades and messaging.
- Neopets has approximately 53 million members, and in the fourth quarter of 2008, it averaged approximately 2.5 million monthly unique visitors and 675,000 video streams each month.



#### **Nick.com and TurboNick**

- Nick.com is the destination for all things Nickelodeon, including TurboNick, its broadband video platform. Nick.com features video streaming of content from Nickelodeon and Nick Jr., customized playlists, content in multiple languages and the ability to search the broad Nickelodeon content library. Nick.com also features games and videos powered by TurboNick and Nickelodeon-branded and original environments.
- In the fourth quarter of 2008, Nick.com and NickJr.com averaged 9.2 million and 6 million monthly unique visitors, respectively, and TurboNick had an average of 93 million video streams each month.



#### **Nickelodeon Kids and Family Games**

- Nickelodeon Kids and Family Games features a network of gaming websites offering games from classic arcade games and puzzles to sports games and free flash games, and includes the company's dedicated casual games sites Shockwave.com and AddictingGames.com.
- In the fourth quarter of 2008, Nickelodeon's portfolio of gaming sites averaged 22.9 million monthly unique visitors, and had approximately 20 billion game plays in 2008.

Other Kids and Family Group properties include Nick Jr. Video and The Click, which are the broadband services of Nick Jr. and The N, respectively; Nickelodeon Movies, Nickelodeon's motion picture brand, under which Paramount released *The Spiderwick Chronicles* in 2008 and *Hotel for Dogs* in January 2009; and the website ParentsConnect.com, which provides information and discussion boards for parents on local events for kids, health and development, activities and resources, among other things. In addition, Nickelodeon licenses its brands for hotels, cruises, live tours and other recreational outlets.

**Entertainment Group**

The Entertainment Group produces and distributes programming and online content and games that generally target adult and male audiences. Some of our key properties in this group include:



**COMEDY CENTRAL**

- COMEDY CENTRAL is television's only all-comedy network and is a consistent top rated cable network among all adults ages 18-49 according to Nielsen. COMEDY CENTRAL also offers original programming via a variety of websites including comedycentral.com and individual sites for popular programs, other online destinations such as iTunes, Microsoft Xbox, Hulu and Fancast and all major mobile carriers. COMEDY CENTRAL's content is on-air, online and on-the-go, giving its audience access to the world of comedy wherever they go. It also has interests in home video, recorded comedy and a live comedy touring business.
- Programming highlights in 2008 included the Emmy® and Peabody® Award-winning series *The Daily Show with Jon Stewart*, *The Colbert Report* and *South Park*, as well as hits like *Indecision 2008!* coverage, *Jeff Dunham's Very Special Christmas Special*, *The Sarah Silverman Program*, *RENO 911!* and *Chocolate News* starring David Alan Grier.
- COMEDY CENTRAL reached approximately 97 million domestic television households as of December 31, 2008.



**Comedycentral.com**

- Comedycentral.com is a broadband video platform featuring behind-the-scenes footage, exclusive video clips, TV shows and series, games and comedy performances from COMEDY CENTRAL. Other COMEDY CENTRAL online properties include thedailyshow.com and Colbertnation.com, the official fan sites of *The Daily Show with Jon Stewart* and *The Colbert Report*, Jokes.com, the largest stand-up comedy library online, and Southparkstudios.com, a joint venture in which COMEDY CENTRAL owns a 51% interest, which is the official *South Park* website, featuring the latest in *South Park* news and content.
- In the fourth quarter of 2008, COMEDY CENTRAL's online properties averaged 5 million monthly unique visitors and 72 million video streams each month.



**Spike TV**

- Spike TV targets men 18-34 and 18-49 by featuring a mix of original and acquired programming, specials, live events and movies. Spike has a relationship with UFC: Ultimate Fighting Championship to air its events as the exclusive cable home for the sport.
- Programming highlights in 2008 included *The Ultimate Fighter*, *TNA iMPACT*, *DEA*, *Pros vs. Joes* and Spike's *Video Game Awards*. Spike also aired the broadcast premier of *Star Wars III: Revenge of the Sith* as part of a series featuring all six *Star Wars* films.
- Spike TV reached approximately 98 million domestic television households as of December 31, 2008.



**SPIKE.com**

- Spike.com is one of the leading video entertainment destinations targeting men ages 18-34, with original and user-generated video and content, including short films, TV clips, music videos and action sports.
- In the fourth quarter of 2008, Spike.com averaged approximately 3.2 million monthly unique visitors and 13 million video streams each month.

**TV Land**

- TV Land offers a mix of original programming, classic TV shows and iconic movies, all designed to appeal to the entertainment needs and attitudes of adults in their 40s and 50s. TV Land expanded its offerings of original programming in 2008, creating TV Land PRIME, a block of primetime programming specifically targeting this demographic.
- Programming highlights in 2008 included the new original programs *High School Reunion* and *She's Got The Look*, as well as returning favorites such as *The Andy Griffith Show* and *M\*A\*S\*H*. New acquired programs such as *Third Rock From The Sun*, *Extreme Makeover: Home Edition* and *The Cosby Show* also joined the network this year.
- TV Land reached approximately 96 million domestic television households as of December 31, 2008.

Other Entertainment Group properties include Atom.com, a broadband service for original short films and online video clips; AddictingClips.com, which houses entertaining original and user-generated video clips; and GameTrailers.com, which produces broadcast quality video content for video games.

**MTV Networks International**

Worldwide, MTV Networks' operations reached over 660 million households in 162 countries via its program services and branded program blocks as of December 31, 2008. MTV Networks International owns and operates, participates in as a joint venturer, and/or licenses to third parties to operate over 120 program services, including extensions of our multimedia brands MTV, VH1, Nickelodeon and COMEDY CENTRAL, and program services created specifically for international and/or non-English speaking audiences such as TMF (The Music Factory), Paramount Comedy, Game One, The Box and VIVA, among others. MTVN International also operates or licenses its brands for more than 130 online properties internationally. Most of the MTVN International program services are regionally customized for the particular viewers through the inclusion of local music, programming and on-air personalities, and use of the local language. MTV Networks' operations in Europe, Latin America and Asia represent its largest international presence.

We strategically pursue the development, licensing and acquisition of program services in international markets and engage in the syndication and distribution of consumer products. Our Viacom 18 joint venture in India includes television, film and digital media content across numerous brands as well as consumer products. In July 2008, it launched Colors, a new Hindi-language general entertainment channel, and is expected to launch additional niche channels and digital content in the future.

We continue to focus on efficiently expanding our international presence by ensuring that we have the appropriate forms of ownership interests in our properties worldwide. This involves concentrating our resources in the regions and on the demographics that offer the greatest growth opportunity for our brands, such as Germany, India and the United Kingdom, and entering into licensing arrangements in other regions that can be best exploited by our partners. In Europe, we launched MTVNHD, a 24-hour English language high definition

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service dedicated to music and kids. MTVNHD is now available in 11 European countries and has expanded to Mexico, with plans for further expansion in Latin America. In the Middle East, we launched Nickelodeon Arabia through an existing long-term licensing arrangement between MTVN International and TECOM Investments' media unit, Arab Media Group. We also expanded our Eastern European presence, increased our ownership interest in Nickelodeon Australia, and plan to continue to expand our brands in various regions, including launch of COMEDYCENTRAL channels in Sweden and New Zealand in 2009.

### **BET Networks**

BET Networks owns and operates program services, including its flagship BET® channel and the BET Digital Networks—BETJ™, BET Gospel® and BET Hip Hop®.



- BET Networks is the nation's leading television network providing entertainment, music, news and public affairs programming targeted to the African-American audience. BET is a leading consumer brand in the urban marketplace with a diverse group of branded businesses, including BET; BETJ, which is devoted primarily to jazz, R&B and neo-soul music; BET Gospel, which focuses on gospel music and spiritual programming; and BET Hip Hop, which features hip hop music programming and performances.
- BET continues to expand its slate of original programming and launched six new original series in 2008. Programming highlights included *Brothers to Brutha*, *Somebodies*, *The Truth With Jeff Johnson* and *Comic View: One Mic Stand*.
- BET reached approximately 89 million domestic television households as of December 31, 2008. According to internal data, BETJ reached approximately 29 million domestic television households, and BET Gospel and BET Hip Hop reached 2 million and 250,000 domestic television households, respectively.



- BET International licenses BET content on multiple platforms, including 24-hour BET branded networks, BET branded program blocks, and BET branded broadband and mobile offerings to serve consumers of black culture globally. BET International is focused on expanding the distribution of BET original programming into international markets, and in 2008, launched a BET channel in the United Kingdom and began making BET programming available on multiple platforms in 29 countries in sub-Saharan Africa.
- Worldwide, BET can be seen in approximately 100 million households as of December 31, 2008 via its channels and branded program blocks shown on third party broadcasters.



- BET.com is a leading online destination for African-Americans and offers users content and interactive features for news, entertainment, community and other areas tailored to the unique interests and issues of African-Americans. BET.com also provides interactive entertainment content for BET Networks' program services.
- In the fourth quarter of 2008, BET.com averaged approximately 2.1 million monthly unique visitors.

Other BET Networks properties include its broadband website, BET on Blast, which features music videos, news, interviews, third party licensed content and other content from BET's cable networks; and BET Mobile, which provides ringtones, games, social networking and other content for cellular phones and digital services such as video-on-demand and digital downloading.

## Media Networks Competition

MTV Networks and BET Networks compete for advertising revenue with other cable and broadcast television networks, online and mobile outlets, radio programming and print media. MTV Networks generally competes with other widely distributed cable networks such as TBS, TNT, Discovery, ESPN, SciFi, FX, Lifetime and USA Network, the broadcast television networks and digital properties such as MySpace, YouTube and Hulu. Each programming service also competes for audience share with competitors' programming services that target the same audience. For example, Nickelodeon and its related properties compete for younger viewers with several of The Walt Disney Company's properties and with Time Warner's Cartoon Network. Similarly, BET Networks competes with African-American oriented shows on cable and broadcast networks including TV One and online properties such as Blackplanet.com and AOL Blackvoices. We also compete with other cable networks for affiliate fees derived from distribution agreements with cable television operators, satellite operators and other distributors. Our networks also compete with other content creators for actors, writers, producers and other creative talent and for new show ideas and the acquisition of popular programming. MTV Networks also releases several video game titles on both console and PC platforms that compete with titles released by major video game publishers such as Activision and Electronic Arts.

## FILMED ENTERTAINMENT

The *Filmed Entertainment* segment produces, finances and distributes motion pictures under the Paramount Pictures, Paramount Vantage, Paramount Classics, MTV Films and Nickelodeon Movies brands. In addition, the *Filmed Entertainment* segment will continue to release a number of pictures under the DreamWorks brand. Paramount also acquires films for distribution, has distribution and fulfillment services agreements with DreamWorks Animation SKG, Inc. and has distribution agreements with MVL Productions LLC ("Marvel") and DW Funding LLC, the owner of the DreamWorks live-action film library. In general, motion pictures produced, acquired and/or distributed by the *Filmed Entertainment* segment are exhibited theatrically in the U.S. and internationally, followed by their release on DVDs, video-on-demand, pay and basic cable television, broadcast television and syndicated television (the "distribution windows"), digital media outlets, and, in some cases, other exhibitors such as airlines and hotels.

Our *Filmed Entertainment* segment generates revenues worldwide principally from: (i) the theatrical release of motion pictures, (ii) home entertainment, which includes sales of DVDs and other products relating to the motion pictures we release theatrically and certain other programming, including content we distribute on behalf of third parties such as CBS Corporation and (iii) license fees paid worldwide by third parties for exhibition rights on various media. The *Filmed Entertainment* segment also generates ancillary revenues from providing production services to third parties, primarily at Paramount's studio lot, consumer products licensing, game distribution and distribution of its content on digital platforms. In 2008, theatrical revenues, home entertainment revenues, license fees and ancillary revenues were approximately 29%, 45%, 22% and 4%, respectively, of total revenues for the *Filmed Entertainment* segment.

In choosing films to produce, we aim to create a carefully balanced film slate that represents a variety of genres, styles and levels of investment—with the goal of creating entertainment for both niche audiences and worldwide appeal. In October 2008, Paramount announced that it would rationalize its film slate in order to compete more effectively. Beginning in 2009, we expect that the *Filmed Entertainment* segment will release up to 20 films per year domestically, including approximately 16 films produced or acquired by Paramount or DW Studios L.L.C. (formerly DreamWorks L.L.C.) and two to four films produced by DreamWorks Animation and Marvel. Paramount is also focused on continuing to improve market position and profitability through the development of franchise films, the expansion of film acquisition and production operations internationally, and the diversification of revenue streams, such as making library product available online to own or rent.

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Each motion picture is a separate and distinct product with its profitability dependent upon many factors, among which public response and cost are of fundamental importance. The theatrical success of a motion picture is a significant factor in determining the revenues it is likely to generate in home entertainment sales and licensing fees during the various other distribution windows. Revenues from motion picture theatrical releases tend to be cyclical with increases during the summer months, around holidays and in the fourth quarter. Competition from other motion pictures released around the same time and/or for audience leisure time generally may affect revenues, particularly in an economic recession.

The costs associated with producing, marketing and distributing a motion picture can be significant, and can also cause our results to vary depending on the timing of a motion picture's release. For example, marketing costs are generally incurred before and throughout the theatrical release of a film and, to a lesser extent, other exhibition windows, and are expensed as incurred. Therefore, we typically incur losses with respect to a particular film prior to and during the film's theatrical exhibition, and profitability may not be realized until well after a film's theatrical release, if at all. Therefore, the results of the *Filmed Entertainment* segment can be volatile as films work their way through the various distribution windows. Historically, we have entered into film financing arrangements under which third parties participate in the financing of the production costs of a film or slate of films typically in exchange for a partial copyright interest. We also have agreements with third parties, including other studios, to co-finance certain of our motion pictures.

Paramount's home entertainment group is responsible for the worldwide sales, marketing and distribution of DVDs for films distributed by Paramount and other Viacom brands, as well as content we distribute on behalf of third parties, including CBS Corporation. Paramount's made-for-home entertainment production group, Paramount Famous Productions, develops and produces feature length prequels, sequels and remakes based on the Paramount library. It plans to develop two to three made-for-DVD movies per year, and its first DVD release, *Without a Paddle: Nature's Calling*, was in January 2009.

Films produced and/or distributed by Paramount or DW Studios are licensed to pay and basic cable television, broadcast television and syndication worldwide. Paramount also licenses its brands for consumer products, themed restaurants, live stage plays, film clip licensing and theme parks. Revenues are typically derived from royalties based on the licensee's revenues, with an advance and/or guarantee against future expected royalties, and may vary based on the popularity of the brand or licensed product with consumers.

Paramount also distributes films and other content to consumers through digital platforms. This includes offering certain motion picture titles for sale and rent through third party online destinations, as well as offering motion picture images, ring tones and games for sale through Paramount's direct mobile movie site, [wap.paramount.mlogic3g.com](http://wap.paramount.mlogic3g.com). Paramount is expanding its presence in the games business with its 2008 acquisition of Screenlife, LLC, maker of the movie trivia game "Scene It" and other DVD games.

## Motion Picture Production and Distribution



- *Theatrical Production and Distribution.* The *Filmed Entertainment* segment produces, acquires, finances and distributes motion pictures under its well-known brands Paramount Pictures, Paramount Vantage, Paramount Classics, MTV Films and Nickelodeon Movies, will continue to release a number of motion pictures under the DreamWorks brand, and has distribution relationships with DreamWorks Animation and Marvel. In 2008, the *Filmed Entertainment* segment theatrically released in domestic and/or international markets *Indiana Jones and the Kingdom of the Crystal Skull*, *The Curious Case of Benjamin Button*, *Tropic Thunder*, *Eagle Eye*, *Cloverfield*, *The Spiderwick Chronicles* and *Revolutionary Road*, among others, receiving 20 Academy Award® nominations. Paramount also distributed Marvel's *Iron Man* and DreamWorks Animation's *Kung Fu Panda* and *Madagascar: Escape 2 Africa*, which collectively received 3 Academy Award nominations. Its 2009 slate is expected to include *Star Trek*, *Transformers: Revenge of the Fallen* and *G.I. Joe: The Rise of the Cobra*, among others.
- Paramount has an extensive library consisting of approximately 1,100 motion picture titles produced by Paramount and acquired rights to approximately 2,400 additional motion pictures and a small number of television programs. The library includes many Academy Award winners such as *Titanic*, *Braveheart*, *Forrest Gump*, *An Inconvenient Truth*, *There Will Be Blood* and such classics as *The Ten Commandments*, *Breakfast at Tiffany's* and *Sunset Boulevard*, as well as successful franchises such as *Indiana Jones*, *Transformers* (a sequel is expected in 2009), *Star Trek* (the next installment is expected in 2009), *The Godfather* and *Mission: Impossible*.
- *Home Entertainment and Digital Distribution.* The *Filmed Entertainment* segment distributes its theatrical motion pictures, library product and non-theatrical releases on DVD, Blu-ray, video-on-demand and digital platforms such as iTunes, and Xbox Live. Key home entertainment releases in 2008 included Marvel's *Iron Man*, *Indiana Jones and the Kingdom of the Crystal Skull*, *Tropic Thunder*, *Eagle Eye* and DreamWorks Animation's *Kung Fu Panda* and *Bee Movie*. Paramount also distributes home entertainment products for Nickelodeon, MTV, Comedy Central, BET, DW Funding, CBS Corporation and select PBS programs.
- *Television Licensing.* Paramount licenses the films it releases to pay-per-view, pay and basic cable television, broadcast television and syndication worldwide. 2008 licenses included *Transformers*, DreamWorks Animation's *Shrek the Third* and *Bee Movie*, *Beowulf* and *Stardust*, among others, for television exhibition.

### Domestic and International Distribution

In domestic markets, Paramount performs its own marketing and distribution services for theatrical and home entertainment releases. In the domestic pay television distribution window, Paramount's feature films initially theatrically released in the United States on or after January 1, 1998 have been exhibited by Showtime Networks, which is owned by CBS Corporation, for certain windows. This agreement applies to films theatrically released

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through December 2007. Beginning in the fall of 2009, qualifying Paramount, Paramount Vantage or Paramount Classics titles released theatrically on or after January 1, 2008, as well as titles theatrically released by MGM, United Artists and Lionsgate on or after January 1, 2009, and various other library product and television series, will be exhibited on epix, a new premium pay television channel and video-on-demand service to be launched by our joint venture with Metro-Goldwyn-Mayer Studios Inc. (“MGM Studios”) and Lionsgate. Certain DreamWorks (including DW Studios) and DreamWorks Animation films are subject to a similar output arrangement under an agreement between DW Studios and Home Box Office (HBO). Paramount also distributes films domestically in the other distribution windows such as DVD, video-on-demand, basic cable and broadcast television and on various digital platforms, such as iTunes and Xbox Live.

In international markets, through 2006, Paramount, through its international affiliates, generally distributed its motion pictures for theatrical release through United International Pictures (“UIP”), a company that we and an affiliate of Universal Studios, Inc. (“Universal”) own jointly. In January 2007, Paramount and Universal began theatrical self-distribution in 15 key countries that were separated from UIP’s distribution business, with each party taking over the UIP operating entity in designated countries. Paramount and Universal each had the option to continue a transitional distribution arrangement with the other party in those countries and the parties have negotiated an extension of certain of these arrangements. Paramount set up its own distribution operations in Japan and Spain in 2008, as well as in Germany in January 2009. In five territories Paramount will continue to distribute through Universal, and in two additional territories, Paramount will handle distribution of Universal’s motion pictures. The UIP joint venture continues to operate in certain other territories. These self-distribution activities represent a significant expansion of Paramount’s international presence, and it intends to continue to expand internationally through increased direct distribution and acquisition of local content.

### *Key Agreements*

In connection with the acquisition of DreamWorks in January 2006, Paramount, DreamWorks and certain of their international affiliates entered into a seven-year agreement with DreamWorks Animation for certain exclusive distribution rights to, and home video fulfillment services for, the animated films produced by DreamWorks Animation, for which Paramount receives certain fees. The output term of the agreement expires on the later of the delivery of 13 qualified animated motion pictures and December 31, 2012, subject to earlier termination under certain limited circumstances.

Also in connection with the acquisition of DreamWorks, we acquired a live-action film library consisting of 59 films released through September 16, 2005. In May 2006, we sold a controlling interest in DW Funding, the owner of the DreamWorks live-action film library. Paramount and its international affiliates retained the exclusive distribution rights to the live-action film library for a five-year period, which is renewable under certain circumstances, for which Paramount receives distribution fees. We retained a minority equity interest in DW Funding and have certain rights and obligations to reacquire the library at the end of the five-year term.

In September 2008, Paramount and Marvel extended their distribution agreement under which Paramount distributed Marvel’s *Iron Man* in 2008. Under the agreement, Paramount will distribute Marvel’s next four to six self-produced feature films on a worldwide basis, including theatrical distribution in most foreign territories previously serviced by Marvel through local distribution entities, in exchange for distribution fees.

In October 2008, Viacom, Paramount, DW Studios and the DreamWorks principals Steven Spielberg, David Geffen and Stacey Snider reached an agreement for the departure of those individuals from DW Studios. Pursuant to the agreement, the DreamWorks principals’ new company acquired certain projects in development, which Paramount has the option to co-finance and co-distribute. Our subsidiary, DW Studios, retained all other projects and retains the rights to motion pictures released prior to the departure of the DreamWorks principals, other than the live-action film library owned by DW Funding. Mr. Spielberg will continue to produce the *Transformers* franchise for Paramount, as well as collaborate on certain other DW Studios and Paramount films.

## **Filmed Entertainment Competition**

Our *Filmed Entertainment* segment competes for audiences for its motion pictures and other entertainment content with the other major studios such as Disney, Fox, Sony Pictures, Universal and Warner Bros., as well as independent film producers. Our competitive position primarily depends on the number and quality of the films produced, their distribution and marketing success, and public response. We also compete to obtain creative talent, including actors, directors and writers, and scripts for motion pictures, all of which are essential to our success. Our motion picture brands also compete with these studios and other producers of entertainment content for distribution of their products through the various distribution windows and on digital platforms.

## **SOCIAL RESPONSIBILITY**

Viacom's social responsibility commitment leverages the power of its brands and the strength of its audience relationships to encourage action on a variety of pro-social issues that are important to our employees, audiences, partners and shareholders alike. Our social responsibility efforts are spearheaded by our Corporate Responsibility Council, which seeks to provide company-wide guidance and support to the variety of pro-social causes supported by our brands and individual program services. Our businesses fuel social change through our foundations and individual campaigns, such as:

- BET's Rap-It-Up: raising AIDS/HIV awareness;
- Comedy Central's Address the Mess: raising awareness surrounding environmental issues;
- MTV's Choose or Lose and Nickelodeon's Kids Pick the President: multiplatform initiatives to educate and engage young people about the election;
- Think.mtv.com: a multi-media youth activism platform that houses MTV's pro-social campaigns. On November 7, 2008, think.mtv.com won the Public and Community Service Emmy Award;
- mtvU's Peabody Award-winning Half of Us: encouraging public dialogue by college students on mental health issues;
- Nickelodeon's Worldwide Day of Play: an annual event in which Nickelodeon goes off the air for a day and hosts thousands of events internationally encouraging kids and their families to adopt healthy lifestyles;
- Nick at Nite's Family Table: encouraging parents and kids to share meals (TV-free) together;
- Noggin's Get Ready to Read: building early literacy skills in preschoolers;
- VH1's Save the Music Foundation: restoring instrumental music education in America's public schools;
- Paramount Pictures' Neighborhood Schools Support Program: providing financial and volunteer support to community schools;
- Paramount's Friday Readers Program: encouraging reading through employees who read to school kids Fridays at lunch;
- Paramount's AIDS Walk and Feeding the Homebound Program: promoting HIV/AIDS awareness and providing meals to those affected by HIV/AIDS and other illnesses;

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- Viacom’s The Big Green Help: encouraging kids to make Earth-friendly and energy-saving choices; and
- Viacom’s annual Viacomunity Day: employees company-wide engage in a day of public service activities.

We also believe it is important to promote socially responsible business practices both within Viacom and by our business partners. Our Global Business Practices Statement (formerly Business Conduct Statement) and Supplier Compliance Policy are posted in the “corporate governance” section of our website [www.viacom.com](http://www.viacom.com). We also require that certain partners, such as licensees in our consumer products business, agree to a Code of Conduct as a condition to our doing business with them.

More information about our social responsibility initiatives is available at [www.viacom.com](http://www.viacom.com) “corporate responsibility.”

## **REGULATION**

Our businesses are subject to and affected by regulations of U.S. federal, state and local governmental authorities, and our international operations are subject to laws and regulations of local countries and pan-national bodies such as the European Union. The laws, rules, regulations, policies and procedures affecting these businesses are constantly subject to change. The descriptions which follow are summaries and should be read in conjunction with the texts of the relevant statutes, rules and regulations. The descriptions do not purport to describe all present and proposed statutes, rules and regulations affecting our businesses.

## **Intellectual Property**

We are fundamentally a content company, and the protection of our brands and entertainment content, and the laws affecting our intellectual property, are of significant importance to us. See the section entitled “Intellectual Property” below for more information on our brands.

### *Copyright Law and Content*

In the United States, under current law, the copyright term for authored works is the life of the author plus 70 years. For works-made-for-hire, the copyright term is the shorter of 95 years from first publication or 120 years from creation.

### *Piracy*

Unauthorized reproduction, distribution or display of copyrighted material over the Internet or through other methods of distribution, such as through devices, software or websites that allow the reproduction, viewing, sharing and/or downloading of entertainment content by either ignoring or interfering with the content’s security features and copyrighted status, interferes with the market for copyrighted works and disrupts our ability to exploit our content. In addition, piracy of motion pictures through unauthorized distribution on DVDs and other platforms continues to present challenges for our industry.

The extent of copyright protection and the use of technological protections, such as encryption, are controversial. Modifications to existing laws that weaken these protections could have an adverse effect on our ability to license and sell our programming.

We are actively engaged in enforcement and other activities to protect our intellectual property, including monitoring notable online destinations that distribute our content, and participating in various industry-wide enforcement initiatives, education and public relations programs and legislative activity on a worldwide basis. One promising area of enforcement activity is to work with network operators, such as Internet service providers, to take action against users who distribute our content without authorization.

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In October 2008, the Prioritizing Resources and Organization for Intellectual Property Act of 2007 (the “PRO-IP Act”) was signed into law in the United States. The PRO-IP Act increases both civil and criminal penalties for counterfeiting and piracy of intellectual property associated with works of music and film, among other things; provides enhanced resources to law enforcement agencies for enforcing intellectual property rights; criminalizes the exportation of counterfeited goods; and creates an “Intellectual Property Enforcement Representative,” a cabinet-level position appointed by the Senate responsible for issuing enforcement policy to, and coordinating the efforts of, U.S. departments and agencies and coordinating the preparation of a plan to reduce counterfeit and infringing goods in the domestic and international supply chain. We strongly support this law and believe it will aid our efforts to appropriately protect our content.

While many legal protections exist to combat piracy, laws domestically and internationally continue to evolve and it is likely that we will continue to expend substantial resources to appropriately protect our content. The repeal or weakening of laws intended to combat piracy and protect intellectual property could make it more difficult for us to adequately protect our intellectual property, negatively impacting its value and further increasing the costs of enforcing our rights.

### **Media Networks**

#### *Music Royalties*

MTV Networks and BET Networks currently obtain content for their cable networks, websites and other properties from record labels, music publishers, independent producers and artists. We have entered into global music video licensing agreements with the major record companies and major music publishers and into global or regional license agreements with certain independent record companies. MTV Networks and BET Networks also obtain certain rights to some of their content, such as performance rights of song composers and rights to non-interactive digital transmission of recordings, pursuant to licenses from performing rights organizations such as ASCAP and BMI and through statutory compulsory licenses established by the Digital Millennium Copyright Act, as amended. The performing rights royalties payable to ASCAP and BMI are either negotiated or set by statutory Rate Courts. Royalties for the compulsory licenses are established periodically by Copyright Arbitration Royalty Panels.

#### *Programming Distribution*

Some policymakers maintain that cable television operators should be required by law to offer programming to subscribers on a network-by-network, or “à la carte,” basis or provide specific program tiers such as those providing only family appropriate programming. In 2004, the FCC’s Media Bureau released a report which concluded that à la carte regulation would tend to decrease programming diversity and would not be in consumers’ best interests; however, it released a subsequent report in 2006 that found that à la carte regulation might benefit some consumers. The issue has been a key item of interest for certain members of the FCC and it is uncertain whether it will remain an area of focus. The FCC is also currently reviewing whether companies that own multiple cable networks should be required to enter into affiliation agreements with cable television operators and other distributors on an “unbundled” or network-by-network basis and forego tiering and distribution requirements, including those contained in our existing affiliation agreements. The requirement to unbundle our program services, or a prohibition on tiering and subscriber guarantees, could reduce distribution of certain of our program services, perhaps significantly. It could also lead to reduced viewership on some or all of our networks and increased marketing expenses, negatively affecting our revenues from advertising and affiliate fees and our results of operations.

#### *Children’s Programming*

Federal legislation and FCC rules limit the amount and content of commercial matter that may be shown on cable channels during programming designed for children 12 years of age and younger. Recently, some U.S. policymakers have sought limitations on food and beverage advertising during such programming. In November 2006, the UK Office of Communications (OFCOM) restricted television ads for foods and drinks high in fat, salt and sugar in and around children’s programming (children aged four to nine); an expansion of the definition of

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“children” to include persons aged four to fifteen, which affects our non-children oriented channels; application to all OFCOM-licensed channels regardless of the country in which their target audience is located; and bans on celebrity and licensed character ads for certain products targeted at primary school children. Implementation of the measures commenced in March 2007 and, for dedicated children’s channels whose ability to replace lost revenues from food and drink advertisers is harder to achieve, was phased-in until January 1, 2009, when full implementation was required. OFCOM is actively monitoring the impact of the restrictions.

Various other laws and regulations intended to protect the interests of children are applicable to our businesses, including measures designed to protect the privacy of minors online.

### *Indecency*

Some policymakers support the extension of indecency rules applicable to over-the-air television broadcasters to cover cable and satellite programming. If such an extension occurred and was not found to be unconstitutional, our content could be subject to additional regulation. The Supreme Court has included on its docket for 2009 several indecency-related matters which may affect the law in this area.

### *Program Access*

Under the Communications Act of 1934, vertically integrated cable programmers are generally prohibited from offering different prices, terms or conditions to competing multichannel video programming distributors unless the differential is justified by certain permissible factors set forth in the FCC’s regulations. The FCC’s “program access” rules also limit the ability of a vertically integrated cable programmer to enter into exclusive distribution arrangements with cable television operators. A cable programmer is considered to be vertically integrated if it owns or is owned by a cable television operator in whole or in part under the FCC’s program access attribution rules. Cable television operators for this purpose may include telephone companies that provide video programming directly to subscribers. Our wholly owned program services are not currently subject to the program access rules. Our flexibility to negotiate the most favorable terms available for our content and our ability to offer cable television operators exclusive programming could be adversely affected if we were to become subject to the program access rules.

## **INTELLECTUAL PROPERTY**

We create, own and distribute intellectual property worldwide. It is our practice to protect our motion pictures, programs, content, brands, characters, video games, publications and other original and acquired works, and ancillary goods and services. The following brands, logos, trade names, trademarks and related trademark families are among those strongly identified with the product lines they represent and are significant assets of ours: Viacom®, MTV Networks®, MTV: Music Television®, VH1®, CMT®: Country Music Television™, MTV Games™, Rock Band®, Harmonix®, Logo®, Nickelodeon®, Nick at Nite®, Nick Jr.®, Noggin®, Neopets®, COMEDY CENTRAL®, Spike TV®, TV Land™, MTVN International™, TMF™, VIVA™, BET Networks™, BET®, BETJ™, BET.com®, BET Mobile®, Paramount Pictures®, Paramount Vantage™, Paramount Classics™ and other domestic and international program services and digital properties. As a result, domestic and foreign laws and enforcement efforts protecting intellectual property rights are important to us, and we actively enforce our intellectual property rights against infringements.

## **EMPLOYEES AND LABOR MATTERS**

At December 31, 2008, we employed approximately 11,500 full-time and part-time employees worldwide. We also had approximately 500 freelance employees on our payroll as of December 31, 2008, and use many other freelance and temporary employees in the ordinary course of our business.

We engage the services of writers, directors, actors and other employees who are subject to collective bargaining agreements. In 2008, we reached new three-year agreements with the Writers Guild of America, the American Federation of Television and Radio Employees (AFTRA), the International Alliance of Theatrical and Stage Employees (IATSE) and the Directors Guild of America. The collective bargaining agreement with the Screen

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Actors Guild expired on June 30, 2008 and a new agreement has not yet been reached. A strike or labor dispute with the Screen Actors Guild could shut down production of feature films and television programs. Although we have taken steps to minimize the impact of a labor dispute and accelerated production of certain films and programs, an extended dispute could disrupt our operations and reduce our revenues, and we may not be able to negotiate favorable terms for a renewal.

### **FINANCIAL INFORMATION ABOUT SEGMENTS AND FOREIGN AND DOMESTIC OPERATIONS**

Financial and other information by reporting segment and geographic area for the three years ended December 31, 2008 is set forth in Note 20 to our consolidated financial statements.

### **AVAILABLE INFORMATION**

We file annual, quarterly and current reports, proxy and information statements, and other information with the Securities and Exchange Commission (the "SEC"). Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and any amendments to such reports filed with or furnished to the SEC pursuant to the Securities Exchange Act of 1934, as amended, will be available free of charge on our website at [www.viacom.com](http://www.viacom.com) (under "investor relations") as soon as reasonably practicable after the reports are filed with the SEC. These documents are also available on the SEC's website at [www.sec.gov](http://www.sec.gov).

On July 1, 2008, we submitted to the New York Stock Exchange ("NYSE") the Annual CEO Certification required by Section 303A.12(a) of the New York Stock Exchange Listed Company Manual. We have also filed with this annual report as Exhibits 31.1 and 31.2 the certifications required under Section 302 of the Sarbanes-Oxley Act of 2002.

### **CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS**

This annual report on Form 10-K, including "Item 7. Management's Discussion and Analysis of Results of Operations and Financial Condition," contains both historical and forward-looking statements. All statements that are not statements of historical fact are, or may be deemed to be, forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These forward-looking statements are not based on historical facts, but rather reflect our current expectations concerning future results and events. Forward-looking statements generally can be identified by the use of statements that include phrases such as "believe," "expect," "anticipate," "intend," "plan," "foresee," "likely," "will" or other similar words or phrases. Similarly, statements that describe our objectives, plans or goals are or may be forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors that are difficult to predict and which may cause our actual results, performance or achievements to be different from any future results, performance and achievements expressed or implied by these statements. These risks, uncertainties and other factors are discussed in "Item 1A. Risk Factors" below. Other risks, or updates to the risks discussed below, may be described from time to time in our news releases and other filings made under the securities laws, including our reports on Form 10-Q and Form 8-K. There may be additional risks, uncertainties and factors that we do not currently view as material or that are not necessarily known. The forward-looking statements included in this document are made only as of the date of this document and, under Section 27A of the Securities Act and Section 21E of the Exchange Act, we do not have any obligation to publicly update any forward-looking statements to reflect subsequent events or circumstances.

**Item 1A. Risk Factors.**

A wide range of risks may affect our business and financial results, now and in the future. We consider the risks described below to be the most significant. There may be other currently unknown or unpredictable economic, business, competitive, regulatory or other factors that could have material adverse effects on our future results.

**Risks Related to our Business**

**Global Economic Conditions May Continue to Have an Adverse Effect on Our Businesses**

There was a rapid softening of the economy and tightening of the financial markets in the second half of 2008, and the outlook for the economy in 2009 is uncertain. This slowing of the economy has increased unemployment and reduced the financial capacity of consumers, thereby slowing consumer spending on the products we sell and license and weakening the businesses of partners who purchase advertising on our networks and their spending on advertising generally. In addition, we depend on the financial markets for access to capital, as do our business partners such as cable and satellite operators, retailers, theater operators, games publishers and others. Limited or expensive access to capital could make it more difficult for these partners to do business with us, or to do business generally, which could adversely affect our businesses. Current conditions in the credit and equity markets, if they persist, could also increase our financing costs and limit our financial flexibility. The continuation, or worsening, of domestic and global economic conditions could continue to adversely affect our businesses and results of operations.

**Our Success is Dependent upon Audience Acceptance of our Programming, Motion Pictures, Games and Other Entertainment Content, which is Difficult to Predict**

The production and distribution of programming, motion pictures, games and other entertainment content are inherently risky businesses because the revenues we derive from various sources depend primarily on our content's acceptance by the public, which is difficult to predict. Audience tastes change frequently and it is a challenge to anticipate what offerings will be successful at a certain point in time. The success of our programming, motion pictures, games and other content also depends upon the quality and acceptance of competing entertainment content, including other offerings available or released into the marketplace at or near the same time. Other factors, including the availability of alternative forms of entertainment and leisure time activities, general economic conditions, piracy, digital and on-demand distribution, and growing competition for consumer discretionary spending, the level of which may decrease as a result of the global economic crisis, may also affect the audience for our content.

In our Media Networks business, our advertising revenues typically are a product of audience size and pricing, which reflect market conditions. In 2008, some of our program services experienced declines in audience size. Those trends could continue at those or other networks and reduce the amount of advertising revenue we receive, which could negatively affect our results of operations. In addition, the advertising industry modified the way it measures ratings in 2008 by moving to commercial ratings, which measure audience size for a commercial. Commercial ratings are measured on a "C3" basis, which counts the number of viewers that watch the commercial live or via playback during the three days following the live broadcast. In 2008, the majority of our guaranteed advertising deals were sold on the C3 metric. This is a different way of measuring viewership, and failure to attract audiences to the commercials that air during our programs may negatively impact our advertising revenue. Our advertising revenues may also fluctuate due to the ratings of our channels (including the timing and success of new programs), and are typically highest in the fourth quarter. Low audience ratings could also negatively affect the affiliate fees we receive and/or limit a network's distribution potential. In addition, our expenses may increase moderately as we invest in new programming, and there is no guarantee that the new programming will be successful or generate sufficient revenue to recoup the expenditure.

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In our Filmed Entertainment business, the theatrical performance of a motion picture affects not only the theatrical revenues we receive but also those from other distribution channels, such as DVD and Blu-ray sales, television licenses and sales of licensed consumer products. A poor theatrical performance may also negatively affect our negotiating strength with theater chains, distributors and retailers, resulting in lower revenues and less desirable product promotion.

The accounting for the expenses we incur in connection with our programming and motion pictures requires that we make judgments about the potential success and useful life of the program or motion picture. If our estimates prove to be incorrect, we may be forced to accelerate our recognition of the expense and/or write-down the value of the asset. For example, we estimate the ultimate revenues of a motion picture before it is released based on a number of factors. Upon a film's initial domestic theatrical release and performance, we update our estimate of ultimate revenues based on actual results. If it is not received favorably, we may reduce our estimate of ultimate revenues, thereby accelerating the amortization of capitalized film costs. Similarly, if we determine it is no longer advantageous for us to air a program on our networks, we would accelerate our amortization of the program.

Consequently, public acceptance of our programming, motion pictures, games and other entertainment content is core to our business and has the ability to affect all of our revenue streams and the timing of certain expenses. A reduction in the popularity of our content could have a significant, adverse effect on our results of operations.

### **We Must Respond to and Capitalize on Rapid Changes in Consumer Behavior Resulting from New Technologies and Distribution Platforms in Order to Remain Competitive and Exploit New Opportunities**

Technology in the online and mobile arenas continues to evolve rapidly. We must adapt to changing consumer behavior driven by technological advances such as the direct connection of television to the Internet, high definition (Blu-ray) packaged media, video-on-demand, increased mobility of content and a desire for more short form, user-generated and interactive content. Changing consumer behavior may impact our traditional distribution methods, for example, by reducing viewership of our programming, the demand for DVD product or pay television subscriptions and/or the desire to see motion pictures in theaters. The domestic DVD market has softened recently, particularly in the second half of 2008. This trend may continue in 2009, and continued declines may adversely affect our home entertainment revenues and profitability. In addition, consumers are increasingly viewing content from the Internet on their televisions and on handheld or portable devices, and watching it on a time-delayed basis. We must continue to adapt our content to these viewership habits. Technologies which enable users to fast-forward or skip advertisements may affect the attractiveness of our offerings to advertisers and could therefore adversely affect our revenues. If we cannot adapt to the changing lifestyles and preferences of our target audiences and capitalize on technological advances with favorable business models, there could be a negative effect on our business.

### **Increased Costs for Programming, Motion Pictures and Other Content May Adversely Affect Our Profits**

In our *Media Networks* segment, we have historically produced a significant amount of original programming and intend to continue to invest in this area. We also acquire programming, such as motion pictures and television series, from other television production companies and studios and pay a license fee in connection with the acquired rights. Our investments in original and acquired programming are significant, and may not be recouped when the program is broadcast or distributed, therefore leading to decreased profitability or potential write-downs.

The *Filmed Entertainment* segment's core business involves the production, marketing and distribution of motion pictures, the costs of which have been increasing. In particular, the "tentpole" motion pictures that we release generally have higher costs than the other films released during the year. A "tentpole" film's underperformance theatrically can significantly affect our revenues and profitability, and negatively affect the revenues we receive from other distribution platforms.

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An increase in content acquisition costs could also affect our profits. For example, we license music and music videos for exhibition on our cable networks, websites and other content outlets from record companies in exchange for cash or advertising time or for promotional consideration. We have entered into global music video licensing agreements with the major record companies and major music publishers and into global or regional license agreements with certain independent record companies. We also license various other music rights from record companies, music publishers, performing rights societies and others. There can be no assurance that we will be able to obtain license renewals or additional license agreements from these sources, or that favorable terms will be available.

### **Our Revenues, Expenses and Operating Results May Vary Based on the Timing, Mix, Number and Availability of Our Motion Pictures and Seasonal Factors**

Our revenues and operating results fluctuate due to the timing, mix, number and availability of our theatrical motion picture and home entertainment releases, as well as license periods for our content. For example, results may increase or decrease during a particular period due to differences in the number of films released compared to the corresponding period in the prior year. Our operating results also fluctuate due to the timing of the recognition of production and marketing expenses, which are typically largely incurred prior to the release of motion pictures and home entertainment product, with the recognition of related revenues in later periods. In addition, the success of our individual mix of titles may vary period over period, causing our operating results to fluctuate.

Our business also has experienced and is expected to continue to experience some seasonality due to, among other things, seasonal advertising patterns and seasonal influences on audiences' viewing habits and attendance. Typically, our revenue from advertising increases in the fourth quarter due to the holiday season, among other factors, and revenue from motion pictures increases in the summer, around holidays and in the fourth quarter. The effects of these variances make it difficult to estimate future operating results based on the results of any specific quarter.

### **Piracy of Our Entertainment Content, Including Digital Piracy and Other Unauthorized Exhibitions of Our Content, May Decrease Revenue Received from Our Programming and Motion Pictures and Adversely Affect Our Business and Profitability**

The success of our business depends in part on our ability to maintain the intellectual property rights to our entertainment content. We are fundamentally a content company and piracy of our brands, motion pictures and DVDs, programming, digital content and other intellectual property has the potential to significantly affect us and the value of our content. Piracy is particularly prevalent in many parts of the world that lack effective enforcement of copyright and technical protective measures similar to existing law in the United States. Piracy is also a challenge domestically, and the interpretation of copyright laws as applied to our content remains in flux. Piracy and other unauthorized uses of content are made easier by technological advances allowing the conversion of motion pictures, programming and other content into digital formats, which facilitates the creation, transmission and sharing of high quality unauthorized copies. Unauthorized reproduction, distribution or display of our content over the Internet or through other methods of distribution, such as through devices, software or websites that allow the reproduction, viewing, sharing and/or downloading of entertainment content by either ignoring or interfering with the content's security features and copyrighted status is a threat to our ability to protect our creative works and to recoup or profit from the expense incurred to create such works. Unauthorized use of our entertainment content may have an adverse effect on our business because it reduces the revenue that we potentially could receive from the legitimate sale and distribution of our content. We are actively engaged in enforcement and other activities to protect our intellectual property, and it is likely that we will continue to expend substantial resources in connection with these efforts. These efforts to prevent the unauthorized use of our content may affect our profitability, and may not be successful in reducing piracy.

**The Loss of Affiliation Agreements, or Renewal on Less Favorable Terms, Could Cause Our Revenues to Decline in Any Given Period or in Specific Markets**

We are dependent upon our affiliation agreements with cable television operators, satellite operators, mobile networks and other distributors for the distribution of our program services. We have agreements in place with the major distributors, some of which expire over the next several years and we expect to renegotiate on a rolling basis. There can be no assurance that these affiliation agreements will be renewed in the future on terms, including pricing, acceptable to us. The loss of a significant number of these arrangements or the loss of carriage on the most widely available programming tiers could reduce the distribution of our program services and decrease the potential audience for our programs, which would adversely affect our advertising and affiliate fee revenues. In addition, further consolidation among cable and satellite operators and increased vertical integration of such distributors into the cable or broadcast television businesses could adversely affect our ability to negotiate favorable terms for distribution of our program services.

Furthermore, we recently announced the creation of epix, our joint venture with MGM Studios and Lionsgate to release our motion pictures in the pay television distribution window. If epix is not successful in securing affiliate relationships and subscribers, our revenues from this distribution window could be negatively affected, and we may not be able to secure pay television distribution for our motion pictures on favorable terms with another distributor.

**Our Video Game Business Has a Short Operating History and is Subject to Additional Risks**

In connection with our 2006 acquisition of Harmonix, we significantly expanded our involvement in video and online games, including *Rock Band*. The video game industry experienced softness in 2008 which we saw reflected in our sales of these games. Our games are distributed on several platforms, and for each platform, there are a variety of controllers and packages available. Greater than anticipated returns, increases in manufacturing or distribution costs, and/or mismatches between forecasted and actual sales will have an adverse effect on the profitability of this business and affect our results of operations. Further, the video game business is generally subject to the risk of intellectual property litigation, in particular patent litigation, and there are three patent cases pending against us related to console video games. Although we believe we will prevail in these litigations, litigation is expensive and the outcome of litigation is inherently uncertain. The failure to resolve litigation on satisfactory terms could result in higher costs or the inability to sell one or more products.

**The Loss of Key Talent Could Disrupt Our Business and Adversely Affect Our Revenues**

Our business depends upon the continued efforts, abilities and expertise of our corporate and divisional executive teams and entertainment personalities. We employ or contract with several entertainment personalities with loyal audiences and also produce motion pictures with highly regarded directors, actors and other talent. These individuals are important to achieving audience endorsement of our programs, motion pictures and other content. There can be no assurance that these individuals will remain with us or will retain their current appeal. If we fail to retain these individuals or if our entertainment personalities lose their current appeal, our revenues could be adversely affected.

**The Failure or Destruction of Satellites and Facilities that We Depend Upon to Distribute Our Programming Could Adversely Affect Our Business and Results of Operations**

We use satellite systems to transmit our program services to cable television operators and other distributors worldwide. The distribution facilities include uplinks, communications satellites and downlinks. Notwithstanding back-up and redundant systems, transmissions may be disrupted as a result of local disasters that impair on-ground uplinks or downlinks, or as a result of an impairment of a satellite. Currently, there are a limited number of communications satellites available for the transmission of programming. If a disruption occurs, we may not be able to secure alternate distribution facilities in a timely manner. Failure to do so could have a material adverse effect on our business and results of operations.

### **Our Obligations Related to Guarantees and Litigation Could Adversely Impact Our Financial Condition**

We have both recorded and potential liabilities and costs related to discontinued operations and former businesses, including, among other things, potential liabilities to landlords if Blockbuster Inc. should default on certain store leases or if Famous Players Inc. should default on certain theater leases. Blockbuster's stock price has recently declined considerably and its senior debt is rated CCC by S&P and Caa2 by Moody's. In addition, in connection with the sale of the DreamWorks live-action film library to DW Funding in 2006, we retained a 49% minority equity interest in DW Funding and guarantee certain debt of DW Funding. We are subject to a put option at the then current fair market value of DW Funding, commencing nine months prior to the fifth anniversary of the sale. We also have a corresponding call option exercisable at fair market value. To the extent the current fair value at the option closing date is insufficient to repay certain indebtedness, including any unpaid interest, of DW Funding guaranteed by us, we would be required to pay the difference. In addition, in connection with our joint ventures, we have made certain investments and have future funding obligations, which may not be recouped until well after our initial investment, if at all. We are also involved in pending and threatened litigation from time to time, the outcome of which is inherently uncertain and difficult to predict. We cannot assure you that our reserves and/or letters of credit are sufficient to cover these liabilities in their entirety or any one of these liabilities when it becomes due or at what point any of these or new liabilities may affect us. Therefore, there can be no assurance that these liabilities will not have an adverse effect on our financial condition.

### **Risks Related to our Industry**

#### **Changes in Advertising Markets Generally Could Cause Our Revenues and Operating Results to Decline Significantly in Any Given Period or in Specific Markets**

We derive substantial revenues from the sale of advertising on a variety of platforms, and a decline in advertising expenditures could significantly adversely affect our revenues and operating results in any given period. Declines can be caused by the economic prospects of specific advertisers or industries, or the economy in general, causing advertisers to alter their spending priorities based on these or other factors. Recent domestic and global economic conditions have caused a weakness in advertising expenditures by companies in many sectors of the economy. Changes in the advertising industry, such as the introduction of commercial ratings in 2008, can also affect our advertising revenues.

In addition, advertising revenues may be affected by increasing competition for the leisure time of audiences, including shifts in spending toward online and mobile outlets and away from more traditional media, or toward new ways of purchasing advertising, such as through advertising exchanges. For example, we and other cable network owners may provide advertising inventory on our networks to cable television operators, satellite operators and other intermediaries who resell that inventory in competition with us.

In addition, political, social or technological change may result in a reduction of various sectors' advertising expenditures. For example, Federal legislators and regulators could impose additional limitations on advertising to children in an effort to combat childhood obesity and unhealthy eating or for other reasons, or impose limitations on product placement and other program sponsorship arrangements. Any reduction in advertising expenditures could have an adverse effect on our revenues and results of operations.

#### **Our Businesses Operate in Highly Competitive Industries**

Participants in the cable networks, motion picture, digital and video game industries depend on consumer acceptance of content, appeal to advertisers and solid distribution relationships. Competition for viewers, advertising and distribution is intense and comes from broadcast television, cable networks, online and mobile properties, movie studios and independent film producers and distributors, local, regional and national newspapers, video gaming sites and other media that compete for audiences, and from pirated content. In

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particular, a portion of the advertising on websites and mobile outlets is derived from traditional cable network advertisers. In addition, our competitors include market participants with interests in multiple media businesses which are often vertically integrated. Our ability to compete successfully depends on a number of factors, including our ability to provide high quality and popular entertainment content, adapt to new technologies and distribution platforms and achieve widespread distribution. Distribution capacity may become increasingly limited as broadcasters transition to digital formats, especially if “must carry” regulations are extended to channels beyond the broadcaster’s primary channel. More television options increase competition for viewers, and competitors targeting programming to narrowly defined audiences may gain an advantage over us for television advertising and affiliate revenues. There can be no assurance that we will be able to compete successfully in the future against existing or potential competitors, or that competition will not have a material adverse effect on our business, financial condition or results of operations.

### **Requirements that Cable Television Operators Offer Programming on an à la Carte or Tiered Basis May Decrease the Distribution of Program Services and Affect Our Results of Operations**

Certain policymakers maintain that cable television operators should be required to offer programming to subscribers on a network-by-network, or à la carte, basis or to provide programming tiers designed specifically for certain audiences, such as family tiers. In response, certain cable television operators and other distributors have introduced tiers to their customers that may or may not include some or all of our networks. The FCC is also reviewing whether companies that own cable networks should be required to enter into affiliation agreements with cable television operators and other distributors on an “unbundled” or network-by-network basis. A purported industry class action litigation has been filed alleging damages and seeking relief related to claimed impermissible bundling of networks by cable and satellite operators, the Company and other programmers. The unbundling or tiering of our program services by cable television operators or other distributors, including a decision not to include some or all of our networks in a tier, or a requirement that we enter into affiliation agreements on a network-by-network basis, could reduce distribution of certain of our program services, perhaps significantly. It could also lead to reduced viewership on some or all of our networks and increased marketing expenses, negatively affecting our revenues from advertising and affiliate fees and our results of operations.

### **Changes in U.S. or Foreign Communications Laws, Laws Affecting Intellectual Property Rights or Other Regulations May Have an Adverse Effect on Our Business**

The multichannel video programming and distribution industries in the United States are highly regulated by U.S. federal laws and regulations issued and administered by various federal agencies, including the FCC. Our program services and online properties are subject to a variety of laws and regulations, including those relating to issues such as content regulation, user privacy and data protection and consumer protection, among others. For example, various laws and regulations are intended to protect the interests of children, including limits on the amount and content of commercial material that may be shown, restrictions on children’s advertising and measures designed to protect the privacy of minors.

In addition, the U.S. Congress and the FCC currently have under consideration, and may in the future adopt, new laws, regulations and policies regarding a wide variety of matters that could, directly or indirectly, affect the operations and ownership of our U.S. media properties. For example, some policymakers support the extension of indecency rules applicable to over-the-air broadcasters to cover cable and satellite programming. Other domestic and international regulators, including OFCOM in the United Kingdom, support additional limitations on food and beverage advertising to children. Our business could be affected, potentially materially, by any such new laws, regulations and policies. We could incur substantial costs to comply with new laws and regulations or substantial penalties or other liabilities if we fail to comply. We could also be required to change or limit certain of our business practices.

In addition, the repeal or weakening of laws intended to combat piracy and protect intellectual property could make it more difficult for us to adequately protect our intellectual property, negatively impacting its value and

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increasing the costs of enforcing our rights. Similarly, changes in regulations imposed by governments in other jurisdictions in which we, or entities in which we have an interest, operate could adversely affect our business, results of operations and ability to expand these operations beyond their current scope.

### **We Could Be Adversely Affected by Strikes and Other Union Activity**

We and our suppliers engage the services of writers, directors, actors and other talent, trade employees and others who are subject to collective bargaining agreements. The Screen Actors Guild collective bargaining agreement which covers actors who perform in our motion pictures and television programs expired on June 30, 2008, and a new agreement has not yet been reached. We are currently working under the terms and conditions of the expired agreement, and the Screen Actor's Guild continues to have the option of seeking a strike authorization from its members. Such a labor dispute may disrupt our operations and reduce our revenues, and we may not be able to negotiate favorable terms for a renewal, which could increase our costs.

### **Political and Economic Risks Associated with Our Businesses Could Harm Our Financial Condition**

Our businesses operate and have customers worldwide, and we are focused on expanding our international operations in key markets, some of which are emerging markets. Inherent risks of doing business in international markets include, among other risks, changes in the economic environment, export restrictions, currency exchange controls and/or fluctuations, tariffs or other trade barriers, longer payment cycles and, in some markets, increased risk of political instability. In particular, foreign currency fluctuations against the U.S. Dollar affect our results both positively and negatively which may cause results to fluctuate. Furthermore, some foreign markets where we operate may be even more adversely affected by current economic conditions than the United States. We also may incur substantial expense as a result of changes in the existing economic or political environment in the regions where we do business, including the imposition of new restrictions. Acts of terrorism or other hostilities, or other future financial, political, economic or other uncertainties, could lead to a reduction in revenue or loss of investment, which could adversely affect our business, financial condition or results of operations.

### **Risks Related to Our Controlling Stockholder and Conflicts of Interest**

#### **Sales of Additional Shares of Common Stock by National Amusements Could Adversely Affect the Stock Price**

National Amusements ("NAI"), through its beneficial ownership of our Class A common stock, has voting control of Viacom. NAI disclosed in October 2008 that it sold approximately \$233 million in the aggregate of shares of Viacom and CBS Corporation non-voting common stock in connection with requirements under its credit facilities. NAI also announced that it was in constructive negotiations with its lenders regarding such facilities and outstanding notes. Although NAI stated in October that it did not intend to sell any additional shares, there can be no assurance that NAI at some future time will not sell additional shares of our stock, which could adversely affect our share price.

#### **Through Its Voting Control of Viacom, NAI is in a Position to Control Actions that Require Stockholder Approval**

Sumner M. Redstone, the controlling stockholder, Chairman and Chief Executive Officer of NAI, serves as our Executive Chairman and Founder, and Shari Redstone, the President and a director of NAI, serves as the non-executive Vice Chair of our Board of Directors. In addition, Philippe Dauman, our President and Chief Executive Officer, is a director of NAI, and George Abrams, one of our directors, is a director of NAI.

Mr. Dauman has presently recused himself from activity as an NAI board member. In addition, NAI's board of directors has created a special committee that does not include Mr. Redstone or Mr. Dauman in order to consider issues that may be perceived to create a conflict between their responsibilities to Viacom and to NAI. Similarly, our Board of Directors has acted by independent directors when appropriate to address such issues.

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Nevertheless, NAI is in a position to control the outcome of corporate actions that require stockholder approval, including the election of directors and transactions involving a change in control. The interests of NAI may not be the same as yours, and you will be unable to affect the outcome of our corporate actions for so long as NAI retains voting control. You will be reliant on our independent directors to represent your interests.

### **Certain Members of Management, Directors and Stockholders May Face Actual or Potential Conflicts of Interest**

Both Viacom and CBS Corporation are controlled by NAI. Mr. Redstone, the controlling stockholder, Chairman and Chief Executive Officer of NAI, serves as our Executive Chairman and Founder and the Executive Chairman and Founder of CBS Corporation. Ms. Redstone, the President and a director of NAI, serves as non-executive Vice Chair of the Board of Directors of both Viacom and CBS Corporation. Mr. Dauman and Mr. Abrams are directors of NAI, and Frederic Salerno, one of our directors, is also a director of CBS Corporation.

The NAI ownership structure and the common directors could create, or appear to create, potential conflicts of interest when the management, directors and controlling stockholder of the commonly controlled entities face decisions that could have different implications for each of us. For example, potential conflicts of interest could arise in connection with the resolution of any dispute between Viacom and CBS Corporation regarding the terms of the agreements governing the separation and the relationship between Viacom and CBS Corporation thereafter. Potential conflicts of interest, or the appearance thereof, could also arise when we and CBS Corporation enter into any commercial arrangements with each other in the future, despite review by our directors not affiliated with CBS Corporation.

Our certificate of incorporation and the CBS Corporation certificate of incorporation both contain provisions related to corporate opportunities that may be of interest to us and to CBS Corporation. Our certificate of incorporation provides that in the event that a director, officer or controlling stockholder of ours who is also a director, officer or controlling stockholder of CBS Corporation acquires knowledge of a potential corporate opportunity for both Viacom and CBS Corporation, such director, officer or controlling stockholder may present such opportunity to us or CBS Corporation or both, as such director, officer or controlling stockholder deems appropriate in his or her sole discretion, and that by doing so such person will have satisfied his or her fiduciary duties to us and our stockholders. In addition, our certificate of incorporation provides that we renounce any interest in any such opportunity presented to CBS Corporation and, similarly, the CBS Corporation certificate of incorporation provides that CBS Corporation renounce any interest in any such opportunity presented to us. These provisions create the possibility that a corporate opportunity of one company may be used for the benefit of the other company.

### **Our Business and Other Businesses Which Are Controlled By Sumner Redstone, Including CBS Corporation, Are and Will Continue to Be Attributable to Each Other for Certain Regulatory Purposes Which May Limit Business Opportunities or Impose Additional Costs**

So long as we and CBS Corporation are under common control, each company's businesses, as well as the businesses of any other commonly controlled company, such as National Amusements, Inc. ("NAI") and NAIRI, Inc., which are also controlled by Mr. Redstone, may be attributable to the other companies for purposes of U.S. and non-U.S. antitrust rules and regulations, certain rules and regulations of the FCC, and certain rules regarding political campaign contributions in the United States, among others. The businesses of each company may continue to be attributable to the other companies for FCC purposes even after the companies cease to be commonly controlled, if the companies share common officers, directors, or attributable stockholders. As a result, the businesses and conduct of any of these other companies may have the effect of limiting the activities or strategic business alternatives available to us or impose additional costs.

## **The Separation Agreement Between CBS Corporation and Us Prohibits Us from Engaging in Certain Types of Businesses**

Under the terms of the Separation Agreement, we generally agreed that we will not own or acquire certain interests in specified types of media companies if such ownership would cause CBS Corporation to be in violation of U.S. federal laws limiting the ownership of broadcast licenses or if it would limit CBS Corporation's ability under these laws to acquire television or radio stations or television networks. Additionally, we may not make acquisitions, enter into agreements or accept or agree to any condition that purports to bind CBS Corporation or subjects CBS Corporation to restrictions it is not otherwise subject to by legal order without CBS Corporation's consent. We and CBS Corporation have agreed that prior to the earliest of (1) the fourth anniversary of the separation (December 31, 2009), (2) the date on which none of Mr. Redstone, NAI, NAIRI or any of their successors, assigns or transferees are deemed to have interests in both CBS Corporation and Viacom that are attributable under applicable U.S. federal laws and (3) the date on which the other company ceases to own the video programming vendors that it owns as of the separation, neither of us will own or acquire an interest in a cable television operator if such ownership would subject the other company to U.S. federal laws regulating contractual relationships between video programming vendors and video programming distributors that the other company is not then subject to. These restrictions could limit the strategic business alternatives available to us.

## **We Rely on CBS Corporation's Performance under Various Agreements**

In connection with the separation, we entered into various agreements, including the Separation Agreement, Tax Matters Agreement, and certain related party arrangements pursuant to which we provide services and products to CBS Corporation after the separation. The Separation Agreement sets forth the distribution of assets, liabilities, rights and obligations between us and CBS Corporation pursuant to the separation, and includes indemnification obligations for such liabilities and obligations. In addition, pursuant to the Tax Matters Agreement, certain income tax liabilities and related responsibilities are allocated between, and indemnification obligations have been assumed by, each of us and CBS Corporation. Each company will rely on the other company to satisfy its performance and payment obligations under these agreements. Certain of the liabilities to be assumed or indemnified by us or CBS Corporation under these agreements are legal or contractual liabilities of the other company. If CBS Corporation were to breach or be unable to satisfy its material obligations under these agreements, including a failure to satisfy its indemnification obligations, we could suffer operational difficulties or significant losses.

### **Item 1B. Unresolved Staff Comments.**

Not applicable.

### **Item 2. Properties.**

In addition to the properties described below, we own and lease office, studio, production and warehouse space, broadcast, antenna and satellite transmission facilities throughout the United States and around the world for our businesses. We consider our properties adequate for our present needs.

#### **Viacom**

- Our world headquarters is located at 1515 Broadway, New York, New York, where we rent approximately 1.4 million square feet for executive, administrative and business offices for the Company and certain of our operating divisions. The lease runs through May 2015, with three renewal options based on market rates at the time of renewal for five years each thereafter.

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### **MTV Networks**

- In addition to occupying space at 1515 Broadway in New York, MTVN occupies the following major office facilities: (a) approximately 400,000 square feet at 345 Hudson Street, New York, New York, through 2022, (b) approximately 278,000 square feet at 1540 Broadway, New York, New York, through 2021, and (c) approximately 225,000 square feet at three facilities in Santa Monica, California, under leases that expire between 2011 and 2016. MTVN's Network Operation Center is located in Hauppauge, New York, and contains approximately 65,000 square feet of floor space on approximately 9 acres of land.
- The Nickelodeon Animation Studio in Burbank, California, contains approximately 107,000 square feet of studio and office space, under leases that expire in 2013.
- CMT's headquarters are located in Nashville, Tennessee, where it occupies approximately 86,000 square feet of space for its executive, administrative and business offices and its studios.
- Internationally, MTVN occupies (i) approximately 176,000 square feet of space in Berlin through leases expiring between 2014 and 2017, (ii) approximately 80,000 square feet of space at its owned Hawley Crescent facility in London and (iii) approximately 54,000 square feet of office space leased at 180 Oxford Street in London.

### **BET Networks**

- BET Networks' headquarters at One BET Plaza in Washington, D.C. contains approximately 230,000 square feet of office and studio space, the majority of which is leased through 2013 and the balance of which is owned.

### **Paramount**

- Paramount owns the Paramount Pictures Studio situated at 5555 Melrose Avenue, Los Angeles, California, located on approximately 62 acres of land, and containing approximately 1,850,000 square feet of floor space used for executive, administrative and business offices, sound stages, production facilities, theatres, equipment facilities, and other ancillary uses.
- Paramount Pictures International's main offices are located in London, where it leases approximately 51,000 square feet of space used for executive, administrative and business offices and a cinema through 2017.

### **Item 3. Legal Proceedings.**

Litigation is inherently uncertain and always difficult to predict. However, based on our understanding and evaluation of the relevant facts and circumstances, we believe that the legal matters described below and other litigation to which we are a party are not likely, in the aggregate, to have a material adverse effect on our results of operations, financial position or cash flows.

In March 2007, we filed a complaint in the United States District Court for the Southern District of New York against Google Inc. ("Google") and its wholly-owned subsidiary YouTube, alleging that Google and YouTube violated and continue to violate the Company's copyrights. We are seeking both damages and injunctive relief, and the lawsuit is currently in discovery.

In September 2007, *Brantley, et al. v. NBC Universal, Inc., et al.*, was filed in the United States District Court for the Central District of California against us and several other program content providers on behalf of a purported nationwide class of cable and satellite subscribers. The plaintiffs also sued several major cable and satellite program distributors. Plaintiffs allege that separate contracts between the program providers and the cable and

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satellite operator defendants providing for the sale of programming in specific tiers each unreasonably restrain trade in a variety of markets in violation of the Sherman Act. In March 2008, the court granted the defendants' motion to dismiss the plaintiffs' First Amended Complaint. The plaintiffs subsequently filed a Second Amended Complaint seeking, among other things, treble monetary damages in an unspecified amount and an injunction to compel the offering of channels on an "à la carte" basis. In September 2008, the defendants' motion to dismiss the Second Amended Complaint was denied and the lawsuit is now in discovery. We believe the plaintiffs' position in this litigation is without merit and intend to continue to vigorously defend this lawsuit.

### **Concluded Litigation**

Former Viacom and NAI, and certain of their respective present and former officers and directors, were defendants in a state law action in the Court of Chancery of Delaware relating to the 2004 split-off of Blockbuster from Former Viacom pursuant to an exchange offer. The plaintiff's complaint in the Delaware action was dismissed in February 2008 and its appeal was argued before the Supreme Court of Delaware, which affirmed the dismissal in January 2009. Two other lawsuits arising from the same facts as the Delaware action were dismissed in 2007 and 2008.

### **Item 4. *Submission of Matters to a Vote of Security Holders.***

Not applicable.

## OUR EXECUTIVE OFFICERS

The following table sets forth the name, age and position of each person who serves as a Viacom executive officer.

<u>Name</u>	<u>Age</u>	<u>Position</u>
Sumner M. Redstone	85	Executive Chairman of the Board and Founder
James W. Barge	53	Executive Vice President, Controller, Tax and Treasury
Philippe P. Dauman	54	President and Chief Executive Officer; Director
Thomas E. Dooley	52	Senior Executive Vice President, Chief Administrative Officer and Chief Financial Officer; Director
Carl D. Folta	51	Executive Vice President, Corporate Communications
Michael D. Fricklas	49	Executive Vice President, General Counsel and Secretary
DeDe Lea	44	Executive Vice President, Government Relations
Denise White	54	Executive Vice President, Human Resources and Administration

Information about each person who serves as an executive officer of our company is set forth below.

Sumner M. Redstone	<p>Mr. Redstone is our Founder and has served as the Executive Chairman of our Board of Directors since January 1, 2006. He also serves as Executive Chairman of the Board of CBS Corporation. He was Chief Executive Officer of Former Viacom from 1996 to 2005 and Chairman of the Board of Former Viacom since 1987. He has been Chairman of the Board of National Amusements, Inc., our controlling stockholder, since 1986, its Chief Executive Officer since 1967 and also served as its President from 1967 through 1999. Mr. Redstone served as the first Chairman of the Board of the National Association of Theatre Owners and is currently a member of its Executive Committee. He has been a frequent lecturer at universities, including Harvard Law School, Boston University Law School and Brandeis University. Mr. Redstone graduated from Harvard University in 1944 and received an LL.B. from Harvard University School of Law in 1947. Upon graduation, he served as law secretary with the U.S. Court of Appeals and then as a special assistant to the U.S. Attorney General. Mr. Redstone served in the Military Intelligence Division during World War II. While a student at Harvard, he was selected to join a special intelligence group whose mission was to break Japan's high-level military and diplomatic codes. Mr. Redstone received, among other honors, two commendations from the Military Intelligence Division in recognition of his service, contribution and devotion to duty, and the Army Commendation Award.</p>
James W. Barge	<p>Mr. Barge has been our Executive Vice President, Tax and Treasury since January 2008 and our Controller since March 2008. Prior to joining the Company, Mr. Barge served as Senior Vice President, Controller and principal accounting officer of Time Warner Inc. since mid-2002. He previously held various financial positions with Time Warner Inc. since first joining the company in 1995. Mr. Barge is a member of the board of directors of Scholastic Corporation.</p>
Philippe P. Dauman	<p>Mr. Dauman has been our President and Chief Executive Officer since September 2006 and joined our Board of Directors as of January 1, 2006, having previously served as a director of Former Viacom since 1987. Prior to joining Viacom, he was Co-Chairman and Chief Executive Officer of DND Capital Partners, L.L.C., a private equity firm specializing in media and telecommunications investments that he co-founded with Mr. Dooley, from May 2000 until September</p>

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2006. Prior to that, Mr. Dauman held several positions at Former Viacom, which he first joined in 1993, including Deputy Chairman, member of its Executive Committee and Executive Vice President, General Counsel and Secretary. Mr. Dauman is also a director of National Amusements, Inc. and of Lafarge S.A.

Thomas E. Dooley

Mr. Dooley has been our Senior Executive Vice President and Chief Administrative Officer since September 2006, our Chief Financial Officer since January 1, 2007 and joined our Board as of January 1, 2006. Prior to joining Viacom, he was Co-Chairman and Chief Executive Officer of DND Capital Partners, L.L.C., a private equity firm specializing in media and telecommunications investments that he co-founded with Mr. Dauman, from May 2000 until September 2006. Before that, Mr. Dooley held various corporate and divisional positions at Former Viacom, which he first joined in 1980, including Deputy Chairman, member of its Executive Committee, and Executive Vice President, Finance, Corporate Development and Communications. Mr. Dooley is a member of the Board of Directors of Sapphire Industrials Corp.

Carl D. Folta

Mr. Folta has been our Executive Vice President, Corporate Communications since November 2006. Prior to that, he had served as Executive Vice President, Office of the Chairman since January 1, 2006. Previously, he was Executive Vice President, Corporate Relations of Former Viacom since November 2004, having served in various corporate relations positions since April 1994. Mr. Folta held various communications positions at Paramount Communications Inc., a predecessor, from 1984 to 1994.

Michael D. Fricklas

Mr. Fricklas has been our Executive Vice President, General Counsel and Secretary since January 1, 2006. Prior to that, he was Executive Vice President, General Counsel and Secretary of Former Viacom since May 2000 and Senior Vice President, General Counsel and Secretary from October 1998 to May 2000. He first joined Former Viacom in July 1993, serving as Vice President and Deputy General Counsel and assuming the title of Senior Vice President in July 1994.

DeDe Lea

Ms. Lea has been our Executive Vice President, Government Relations since January 1, 2006. Previously, she was Executive Vice President, Government Relations of Former Viacom since September 2005. Prior to that, she served as Vice President of Government Affairs at Belo Corp. from 2004 to 2005 and as Vice President, Government Affairs of Former Viacom from 1997 to 2004.

Denise White

Ms. White has been our Executive Vice President, Human Resources and Administration since October 2007. Previously, she was General Manager at Microsoft's Entertainment and Devices Division, having first joined Microsoft in 1990. Prior to Microsoft, Ms. White was a human resources leader with Pan American World Airways and owned a human resources consulting firm.

**PART II****Item 5. Market for Viacom Inc.'s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.**

Our voting Class A common stock and non-voting Class B common stock are listed and traded on the New York Stock Exchange under the symbols "VIA" and "VIA.B", respectively. Our common stock began trading on the NYSE on January 3, 2006 at an opening price of \$40.00 for our Class A common stock and \$41.12 for our Class B common stock.

The table below shows, for the periods indicated, the high and low daily close prices per share of our Class A and Class B common stock as reported in Thomson Financial markets services.

	Sales Price	
	Low	High
<b>Class A common stock – 2008</b>		
1 <sup>st</sup> Quarter	\$37.18	\$42.58
2 <sup>nd</sup> Quarter	\$30.18	\$41.14
3 <sup>rd</sup> Quarter	\$23.66	\$31.16
4 <sup>th</sup> Quarter	\$13.09	\$25.06
<b>Class B common stock – 2008</b>		
1 <sup>st</sup> Quarter	\$36.40	\$42.57
2 <sup>nd</sup> Quarter	\$30.02	\$41.10
3 <sup>rd</sup> Quarter	\$23.44	\$31.11
4 <sup>th</sup> Quarter	\$11.96	\$25.01
<b>Class A common stock – 2007</b>		
1 <sup>st</sup> Quarter	\$38.56	\$42.53
2 <sup>nd</sup> Quarter	\$40.08	\$44.95
3 <sup>rd</sup> Quarter	\$37.12	\$43.00
4 <sup>th</sup> Quarter	\$38.26	\$44.83
<b>Class B common stock – 2007</b>		
1 <sup>st</sup> Quarter	\$38.52	\$42.51
2 <sup>nd</sup> Quarter	\$40.04	\$44.92
3 <sup>rd</sup> Quarter	\$37.05	\$42.98
4 <sup>th</sup> Quarter	\$38.23	\$44.79

We do not currently anticipate paying dividends on our Class A common stock or Class B common stock. The declaration and payment of dividends to holders of our common stock will be at the discretion of our Board of Directors and will depend upon many factors, including our financial condition, earnings, legal requirements and other factors that our Board of Directors deems relevant.

As of January 31, 2009, there were 2,045 record holders of our Class A common stock and 32,141 record holders of our Class B common stock.

**Performance Graph**

The following graph compares the cumulative total stockholder return on our Class A common stock and our Class B common stock with the cumulative total return of the companies listed in the Standard & Poor's 500 Stock Index and a peer group of companies comprised of Time Warner Inc., The Walt Disney Company, News Corporation, The E.W. Scripps Company, Discovery Holding Company and CBS Corporation.

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The performance graph assumes \$100 invested on January 1, 2006 in each of our Class A common stock, Class B common stock, the S&P 500 Index and the stock of our peer group companies, including reinvestment of dividends, for each calendar quarter through the calendar year ended December 31, 2008.

**Total Cumulative Stockholder Return  
for the Semi-Annual Periods Ended December 31, 2008, 2007 and 2006**



	1/1/2006	6/30/2006	12/31/2006	6/30/2007	12/31/2007	6/30/2008	12/31/2008
Class A Common	100.00	89.88	102.53	104.00	109.95	76.53	50.30
Class B Common	100.00	87.10	99.71	101.17	106.73	74.22	46.32
S&P 500	100.00	101.76	113.62	120.43	117.63	102.54	72.36
Peer Group	100.00	113.06	132.01	131.77	120.48	102.34	72.24

**Share Repurchases**

From June 23, 2007 to December 31, 2008, we repurchased shares of our Class B common stock under a \$4.0 billion stock repurchase program which we announced on May 30, 2007. From January 2006 until June 22, 2007, we repurchased shares under a \$3.0 billion stock repurchase program. In connection with the programs, we entered into an agreement with National Amusements Inc. (“NAI”) and NAIRI Inc. (the “NAIRI Agreement”) pursuant to which we agreed to buy from NAI and NAIRI, and they agreed to sell to us, a number of shares of our Class B common stock each month such that the ownership percentage of our Class A common stock and Class B common stock (considered as a single class) held by NAI and/or NAIRI would not increase as a result of our purchase of shares under the program. The NAIRI Agreement was terminated in October 2008. Since December 31, 2008, we have not purchased any shares under our stock repurchase program, but may resume purchases in the future based on a variety of factors.

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The following table provides information about our purchases of equity securities under our \$4.0 billion stock repurchase program and the NAIRI Agreement during the quarter ended December 31, 2008:

	Total Number of Shares Purchased (thousands)	Average Price Paid per Share (dollars)	Approximate Dollar Value of Shares that May Yet be Purchased Under Program (millions)
Month ended October 31, 2008:			
Open market	2,363.0	\$20.09	\$1,376
NAIRI (through 10/10/08)	98.3	\$22.68	\$1,373
Month ended November 30, 2008:			
Open market	2,700.0	\$16.35	\$1,329
Month ended December 31, 2008:			
Open market	3,300.0	\$16.51	\$1,275
Total	<u>8,461.3</u>	<u>\$17.53</u>	

### Equity Compensation Plan Information

Information required by this item is contained in the Proxy Statement for our 2009 Annual Meeting of Stockholders under the heading "Equity Compensation Plan Information," which information is incorporated herein by reference.

### Item 6. Selected Financial Data.

The selected Consolidated Statement of Earnings data for the three years ended December 31, 2008 and the Consolidated Balance Sheet data at December 31, 2008 and 2007 should be read in conjunction with the audited financial statements and "Management's Discussion and Analysis of Results of Operations and Financial Condition" ("MD&A") and other financial information presented elsewhere in this annual report. 2008 results are affected by \$454 million of restructuring and other charges taken in the fourth quarter of 2008, as explained more fully in the MD&A in the section entitled "Factors Affecting Comparability". The selected Consolidated Statement of Earnings data for the years ended December 31, 2005 and 2004 and the Consolidated Balance Sheet data at December 31, 2006, 2005 and 2004 have been derived from audited financial statements not included herein.

### CONSOLIDATED STATEMENT OF EARNINGS DATA (in millions, except earnings per share amounts)

	Year Ended December 31, <sup>(1)</sup>				
	2008	2007	2006	2005 <sup>(2)</sup>	2004 <sup>(2)</sup>
Revenues	\$ 14,625	\$ 13,423	\$ 11,361	\$ 9,520	\$ 8,051
Operating income	\$ 2,523	\$ 2,936	\$ 2,767	\$ 2,359	\$ 2,272
Net earnings from continuing operations	\$ 1,233	\$ 1,630	\$ 1,567	\$ 1,300	\$ 1,386
Net earnings from continuing operations per common share:					
Basic	\$ 1.97	\$ 2.42	\$ 2.19	\$ 1.73	\$ 1.84
Diluted	\$ 1.97	\$ 2.41	\$ 2.19	\$ 1.73	\$ 1.84
Weighted average number of common shares outstanding:					
Basic	624.7	674.1	715.2	751.6	751.6
Diluted	625.4	675.6	716.2	751.6	751.6

**CONSOLIDATED BALANCE SHEET DATA**  
(in millions)

	December 31, <sup>(1)</sup>				
	2008	2007	2006	2005 <sup>(2)</sup>	2004 <sup>(2)</sup>
Total assets	\$ 22,487	\$ 22,904	\$ 21,797	\$ 19,116	\$ 18,441
Total debt	\$ 8,002	\$ 8,246	\$ 7,648	\$ 5,758	\$ —
Total stockholders' equity	\$ 7,033	\$ 7,111	\$ 7,166	\$ 7,788	\$ 13,465

- (1) Discontinued operations includes settlement adjustments and the impact of businesses previously sold, including our sale of Famous Music in 2007, Former Viacom's sale of Famous Players Inc., a Canadian-based theater chain, in 2005, and the split-off of Blockbuster Inc. in 2004. Famous Music, Famous Players and Blockbuster Inc. have been presented as discontinued operations for all periods presented.
- (2) The selected Consolidated Statement of Earnings data for the years ended December 31, 2005 and 2004 and the Consolidated Balance Sheet data at December 31, 2005 and 2004 are presented on a carve-out basis and reflect the results of operations and financial position of our businesses when they were a part of Former Viacom. The consolidated financial information as of and for the years ended December 31, 2005 and 2004 may not necessarily reflect what our results of operations and financial position would have been had we been a separate, stand-alone company. For example, the indebtedness of Former Viacom, other than capital lease obligations, was not assumed by us; therefore, debt service cost is not reflected in the Consolidated Statement of Earnings data for these periods. The Consolidated Statement of Earnings data includes allocations of Former Viacom corporate expenses and Paramount corporate overhead including accounting, treasury, tax, legal, human resources, information systems and other services, as well as depreciation and amortization on allocated costs, to reflect the utilization of such shared services and assets by us. Management believes the methodologies used to allocate charges for the services described above are reasonable. The assets and liabilities of Former Viacom assigned to us pursuant to the terms of the separation are accounted for at the historical book values of such assets and liabilities.

**Item 7. Management’s Discussion and Analysis of Results of Operations and Financial Condition.**

Management’s discussion and analysis of results of operations and financial condition is provided as a supplement to and should be read in conjunction with the consolidated financial statements and related notes to enhance the understanding of our results of operations, financial condition and cash flows. References in this document to “Viacom,” “Company,” “we,” “us” and “our” mean Viacom Inc. and our consolidated subsidiaries through which our various businesses are conducted, unless the context requires otherwise. Certain amounts have been reclassified to conform to the 2008 presentation.

Significant components of the management’s discussion and analysis of results of operations and financial condition section include:

	<u>Page</u>
• <i>Overview.</i> The overview section provides a summary of Viacom and our reportable business segments and the principal factors affecting our results of operations. In addition, we provide a discussion of items affecting the comparability of our financial statements.	40
• <i>Results of Operations.</i> The results of operations section provides an analysis of our results on a consolidated basis and our reportable operating segment results for the three years ended December 31, 2008.	43
• <i>Liquidity and Capital Resources.</i> The liquidity and capital resources section provides a discussion of our cash flows for the three years ended December 31, 2008 and of our outstanding debt and commitments existing at December 31, 2008.	61
• <i>Market Risk.</i> We are principally exposed to market risk related to foreign currency exchange rates and interest rates. The market risk section discusses how we manage exposure to these and other market risks.	67
• <i>Critical Accounting Policies and Estimates.</i> The critical accounting policies section provides detail with respect to accounting policies that are considered by management to require significant judgment and use of estimates and that could have a significant impact on our financial statements.	68
• <i>Recent Pronouncements.</i> The recent pronouncements section provides a discussion of recently issued accounting pronouncements yet to be adopted, including a discussion of the impact or potential impact of such standards on our financial statements when applicable.	73
• <i>Other Matters.</i> The other matters section provides a discussion of legal matters, related party transactions and provisions of the various separation related agreements still relevant as of December 31, 2008.	73

**Management's Discussion and Analysis  
of Results of Operations and Financial Condition  
(continued)**

**OVERVIEW**

**Summary**

We are a leading global entertainment content company. We engage audiences on television, motion picture, Internet, mobile and video game platforms through many of the world's best known entertainment brands, including MTV: Music Television<sup>®</sup>, MTV2<sup>®</sup>, mtvU<sup>®</sup>, MTV Tr3s<sup>®</sup>, VH1<sup>®</sup>, VH1 Classic<sup>™</sup>, CMT<sup>®</sup>: Country Music Television<sup>™</sup>, Logo<sup>®</sup>, Rock Band<sup>®</sup>, Nickelodeon<sup>®</sup>, Nick at Nite<sup>®</sup>, Noggin<sup>®</sup>, The N<sup>®</sup>, Nicktoons<sup>®</sup>, Neopets<sup>®</sup>, COMEDY CENTRAL<sup>®</sup>, Spike TV<sup>®</sup> and TV Land<sup>™</sup>, BET<sup>®</sup>, Paramount Pictures<sup>®</sup>, Paramount Vantage<sup>™</sup>, Paramount Classics<sup>™</sup>, MTV Films<sup>®</sup> and Nickelodeon Movies<sup>™</sup>.

We manage our operations through two reporting segments: *Media Networks* and *Filmed Entertainment*.

**Media Networks**

Our *Media Networks* segment provides entertainment content for consumers in key demographics attractive to advertisers, distributors and retailers. We create and acquire programming and other content for distribution to our audiences how and where they want to view and interact with it: on television, the Internet, mobile devices, video games and a variety of consumer products. Our leading *Media Networks* properties reach over 578 million households worldwide via our multiplatform properties, operating in 162 countries and territories. We have approximately 165 channels, more than 400 digital media properties and a global consumer licensing business. MTV Networks ("MTVN") also has a growing video game business that includes the successful *Rock Band*<sup>®</sup> franchise and casual gaming websites such as Addictinggames.com and Shockwave.com.

Our *Media Networks* segment operates its program services, websites and other digital media services in the United States and abroad and generates revenues principally from three sources: (i) the sale of advertising time on our program services and digital properties, (ii) the receipt of affiliate fees from cable television operators, direct-to-home satellite operators, mobile networks and other content distributors and (iii) ancillary revenues, which include the creation and publishing of video games and other interactive products, home entertainment sales of our programming, the licensing of our content to third parties and the licensing of our brands and properties for consumer products.

Our *Media Networks* properties target key audiences considered particularly attractive to advertisers. The advertising industry modified the way it measures ratings in 2008 by moving to commercial ratings, which measure audience size for a commercial. Commercial ratings are measured on a "C3" basis, which counts the number of viewers that watch the commercial live or via playback during the three days following the live broadcast. In 2008, the majority of our guaranteed deals were sold on the C3 metric. We regularly evaluate the structure, content and volume of our advertising spots, and throughout 2008 took measures that resulted in improved audience retention.

In 2008, domestic and global economic conditions worsened significantly, which had a rapid, negative effect on the advertising market, weakening the businesses of partners who purchase advertising on our networks and reducing their spending on advertising generally. Current economic conditions have adversely affected our advertising revenues and such effect could continue or worsen. Our advertising revenues may also fluctuate due to the ratings of our channels (including the timing and success of new programs) and seasonal variations, typically being highest in the fourth quarter.

Some of our program services experienced ratings declines in 2008, which, coupled with economic conditions, caused our domestic advertising revenue to decline. Ratings challenges could reduce the amount of advertising revenue we receive and negatively affect our results of operations, and our expenses may increase moderately as we invest in new programming.

**Management's Discussion and Analysis  
of Results of Operations and Financial Condition  
(continued)**

Revenues from affiliate fees are negotiated with individual cable and satellite television operators, mobile and online networks and other distributors, generally resulting in multi-year carriage agreements with set rate increases that provide us with a reasonably stable source of affiliate fee revenues. The amount of the fee we receive is determined in part by the number of subscribers to and success of the programming offered by our program services. We engage in negotiations with our cable and satellite affiliate partners on a rolling basis.

Our ancillary revenues are principally derived from the creation and publishing of video games, such as from sales of the *Rock Band* franchise, *Guitar Hero* royalties and other interactive products, sales of home entertainment products such as DVDs, content licensing and licensing for consumer products, including licensing of popular characters from our programs such as those featured in *SpongeBob SquarePants*, *The Backyardigans*, *Dora the Explorer*, *Neopets* and *South Park* in connection with merchandising, video games and publishing worldwide.

*Media Networks* segment revenue growth depends on the continued increase of advertising revenues and affiliate fees through our efforts to expand and enhance our brands worldwide with hit programming, new channels and other forms of entertainment and, in part, by the increased availability of our content on various distribution platforms. We continue to invest organically and through select acquisitions and investments in digital media and other assets that are attractive to our consumers and we seek to increase our revenues by expanding our audiences and strengthening our relationships with our advertising, cable, satellite, mobile and online partners to serve those audiences. Growth also depends on the continued success and expansion of our *Rock Band* franchise and other games that we develop, as well as continued demand for our brands in the home entertainment, television licensing and consumer products marketplaces.

*Media Networks* segment expenses consist of operating expenses, selling, general and administrative ("SG&A") expenses and depreciation and amortization. Operating expenses comprise costs related to original and acquired programming, including programming amortization, expenses associated with the manufacturing and distribution of video games and home entertainment products, and consumer products licensing and participation fees. SG&A expenses consist primarily of employee compensation, marketing, research and professional service fees and facility and occupancy costs. Depreciation and amortization expenses reflect depreciation of fixed assets, including transponders financed under capital leases, and amortization of finite-lived intangible assets.

**Filmed Entertainment**

The *Filmed Entertainment* segment produces, finances and distributes motion pictures under the Paramount Pictures, Paramount Vantage, Paramount Classics, MTV Films, and Nickelodeon Movies brands. In addition, we will continue to release a number of pictures under the DreamWorks brand. We also acquire films for distribution and have distribution relationships with DreamWorks Animation SKG, Inc., MVL Productions LLC ("Marvel"), and DW Funding LLC, the owner of the DreamWorks live-action film library. In general, motion pictures produced, acquired and/or distributed by the *Filmed Entertainment* segment are exhibited theatrically in the U.S. and internationally, followed by their release on DVDs, video-on-demand, pay and basic cable television, broadcast television and syndicated television (the "distribution windows"), digital media outlets, and, in some cases, other exhibitors such as airlines and hotels. Paramount has an extensive library consisting of approximately 1,100 motion picture titles produced by Paramount and acquired rights to approximately 2,400 additional motion pictures and a small number of television programs.

In 2008, the *Filmed Entertainment* segment theatrically released in domestic and/or international markets *Indiana Jones and the Kingdom of the Crystal Skull*, *The Curious Case of Benjamin Button*, *Tropic Thunder*, *Eagle Eye*, *Cloverfield*, *The Spiderwick Chronicles* and *Revolutionary Road*, among others. Paramount also distributed Marvel's *Iron Man* and DreamWorks Animation's *Kung Fu Panda* and *Madagascar: Escape 2 Africa*.

**Management's Discussion and Analysis  
of Results of Operations and Financial Condition  
(continued)**

In connection with the acquisition of DreamWorks in January 2006, we acquired a live-action film library (the "live-action library") consisting of 59 films released through September 16, 2005. In May 2006, we sold a controlling interest in DW Funding and entered into an agreement for the exclusive distribution rights to the library for a five-year period, renewable under certain circumstances, for which Paramount receives distribution fees. We retained a minority interest in DW Funding and have certain rights and obligations to reacquire the library at the end of the five-year term. Paramount also has distribution agreements with third parties, including a seven-year agreement with DreamWorks Animation for certain exclusive distribution rights to and home video fulfillment services for the animated feature films produced by DreamWorks Animation (the "DWA agreements"), for which Paramount receives certain fees. The output term of the agreement expires on the later of the delivery of 13 qualified animated motion pictures and December 31, 2012, subject to earlier termination under certain limited circumstances. In October 2008, Viacom, Paramount, DW Studios L.L.C. (formerly, DreamWorks L.L.C.) and the DreamWorks principals Steven Spielberg, David Geffen and Stacey Snider reached an agreement for the departure of those individuals from DW Studios. Pursuant to the agreement, the DreamWorks principals' new company acquired certain projects in development, which Paramount has the option to co-finance and co-distribute. Our subsidiary, DW Studios, retained all other projects and retains the rights to motion pictures released prior to the departure of the DreamWorks principals, other than the live-action library owned by DW Funding.

In September 2008, Paramount and Marvel extended their distribution agreement under which Paramount distributed Marvel's *Iron Man* in 2008. Under the agreement, Paramount will distribute Marvel's next four to six self-produced feature films on a worldwide basis, including theatrical distribution in most foreign territories previously serviced by Marvel through local distribution entities, in exchange for distribution fees.

Our *Filmed Entertainment* segment generates revenues worldwide principally from: (i) the theatrical release of motion pictures, (ii) home entertainment, which includes sales of DVDs and other products relating to the motion pictures we release theatrically and certain other programming, including products we distribute on behalf of third parties such as CBS Corporation and (iii) license fees paid worldwide by third parties for exhibition rights on various media.

Revenues from motion picture theatrical releases tend to be cyclical with increases during the summer months, around holidays and in the fourth quarter. The theatrical success of a motion picture is a significant factor in determining the revenues it is likely to generate in home entertainment sales and licensing fees during the various other distribution windows. Paramount's home entertainment group is responsible for the worldwide sales, marketing and distribution of DVDs for films distributed by Paramount and other Viacom brands, as well as content we distribute on behalf of third parties, including CBS Corporation. The domestic DVD market has softened recently, particularly in the second half of 2008. This trend may continue in 2009, and continued declines may adversely affect our home entertainment revenues and profitability. The *Filmed Entertainment* segment also generates ancillary revenues from providing production services to third parties, primarily at Paramount's studio lot, consumer products licensing, game distribution and distribution of content on digital platforms.

In choosing films to produce, we aim to create a carefully balanced film slate that represents a variety of genres, styles, and levels of investment—with the goal of creating entertainment for both niche audiences and worldwide appeal. In October 2008, Paramount announced that it would rationalize its film slate in order to compete more effectively. Beginning in 2009, we expect that the *Filmed Entertainment* segment will release up to 20 films per year domestically including approximately 16 films produced or acquired by Paramount or DW Studios and two to four films produced by DreamWorks Animation and Marvel. Paramount is also focused on continuing to improve market position and profitability through the development of franchise films, the expansion of film acquisition and production operations internationally, and the diversification of revenue streams, such as making library product available online to own or rent.

**Management's Discussion and Analysis  
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*Filmed Entertainment* segment expenses consist of operating expenses, SG&A and depreciation and amortization. Operating expenses principally include the amortization of production costs of our released feature films (including participations accrued under our third-party distribution arrangements), print and advertising expenses and other distribution costs. SG&A expenses include employee compensation, facility and occupancy costs, professional service fees and other overhead costs. Depreciation and amortization expense includes depreciation of fixed assets and amortization of acquired intangibles. We incur marketing costs before and throughout the theatrical release of a film and, to a lesser extent, other exhibition windows. Such costs are incurred to generate public interest in our films and are expensed as incurred; therefore, we typically incur losses with respect to a particular film prior to and during the film's theatrical exhibition and profitability may not be realized until well after a film's theatrical release, if at all. Therefore, the results of the *Filmed Entertainment* segment can be volatile as films work their way through the various distribution windows. Historically, we have entered into film financing arrangements under which third parties participate in the financing of the production costs of a film or slate of films typically in exchange for a partial copyright interest. We also have agreements with third parties, including other studios, to co-finance certain of our motion pictures.

**Competition**

All of our businesses operate in highly competitive industries. Our Media Networks businesses generally compete with other widely distributed cable networks, the broadcast television networks and digital properties for advertising revenue, audience share and, in the case of cable networks, affiliate fees. Our Filmed Entertainment businesses generally compete for audiences with other major motion picture studios such as Disney, Fox, Sony Pictures, Universal and Warner Bros., as well as independent film producers. Competition from these sources, other entertainment offerings and/or for audience leisure time generally may affect revenues, particularly in an economic recession.

**The Separation from CBS Corporation**

On December 31, 2005, we became a stand-alone public company in connection with our separation from the former Viacom Inc. ("Former Viacom"), which is now known as CBS Corporation. In accordance with the terms of the Separation Agreement, as more fully described below, in December 2005 we paid a preliminary special dividend to Former Viacom of \$5.400 billion. In 2006 and 2007, we made further payments of \$206 million and \$170 million, respectively, to CBS Corporation in final resolution of the adjustments.

**RESULTS OF OPERATIONS**

**Factors Affecting Comparability**

The consolidated financial statements as of and for the years ended December 31, 2008, 2007 and 2006 reflect our results of operations, financial position and cash flows reported in accordance with U.S. generally accepted accounting principles. Results for the aforementioned periods, as further discussed below, have been affected by certain items which affect comparability between periods.

***Restructuring and Other Charges***

To better align our organization and cost structure with current economic conditions, we undertook a strategic review of our businesses in the fourth quarter of 2008 which resulted in an aggregate of \$454 million of restructuring and other charges. In addition to broad adverse economic conditions, the fourth quarter strategic review considered the emergence of sustained softness in the advertising market and ratings issues at certain channels in the *Media Networks* segment, and the *Filmed Entertainment* segment's decision to reduce its future film slate. As a result of these initiatives we expect to save approximately \$200 million in 2009.

**Management's Discussion and Analysis  
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The December 2008 restructuring plan included workforce reductions of 890 positions across our domestic and international operations and resulted in an associated restructuring charge of \$103 million. The charge includes \$80 million for severance, principally consisting of one-time benefits for terminated employees, and \$23 million related to lease termination costs. The plan was substantially completed in 2008 and is expected to involve cash payments of approximately \$92 million, a majority of which is expected to be paid in the first half of 2009.

In conjunction with the strategic review, we also assessed the effectiveness of our programming and motion pictures not yet released. As a result of the assessment, the *Media Networks* segment recorded a charge of \$286 million principally related to management's decision to cease use of certain acquired and original programming which was no longer achieving desired audience levels and/or branding objectives. The charge reflects the acceleration of amortization of such programming into the fourth quarter consistent with the decision to discontinue airing of the respective programs subsequent to the fourth quarter of 2008. The *Filmed Entertainment* segment recorded a charge of \$19 million primarily related to pre-release write downs related to certain completed but not yet released films produced under the Paramount Vantage label. As a result of the restructuring, management changed its release strategy for these films, resulting in future revenue estimates falling below their cost.

In addition to the above, \$32 million of impairment charges were taken related primarily to finite-lived broadcast licenses in the *Media Networks* segment. One of the licenses was abandoned due to a change in strategy of distribution in a foreign territory and others became impaired due to a sustained deterioration in the advertising markets that supported the broadcast licenses. The *Filmed Entertainment* segment also incurred \$14 million of charges principally related to the abandonment of certain film development rights.

The following table presents the components of the 2008 restructuring and other charges by segment:

2008 Restructuring and Other Charges (in millions)	Media Networks	Filmed Entertainment	Corporate	Total
Severance and lease termination costs	\$ 71	\$29	\$ 3	\$103
Programming and film inventory	286	19	—	305
Asset impairments and other	32	14	—	46
<b>Total</b>	<b>\$389</b>	<b>\$62</b>	<b>\$ 3</b>	<b>\$454</b>

The components of the 2008 restructuring and other charges are included in the Consolidated Statement of Earnings as follows:

2008 Restructuring and Other Charges (in millions)	Operating	Selling, General and Administrative	Depreciation and Amortization	Total
Severance and lease termination costs	\$ —	\$94	\$ 9	\$103
Programming and film inventory	305	—	—	305
Asset impairments and other	14	—	32	46
<b>Total</b>	<b>\$319</b>	<b>\$94</b>	<b>\$41</b>	<b>\$454</b>

In addition, we recorded \$77 million and \$98 million of restructuring charges in 2007 and 2006, respectively. See Note 15 to our Consolidated Financial Statements for additional information regarding these actions.

**Management's Discussion and Analysis  
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**Discontinued Operations**

In 2008, discontinued operations, net of tax, principally reflects settlement adjustments to businesses previously sold. Discontinued operations in 2007 primarily reflects the \$192 million gain on the sale of Famous Music in July 2007 and its net operating results prior to the sale.

**2008 vs. 2007**

Our summary consolidated results of operations are presented below for the years ended December 31, 2008 and 2007.

**Consolidated Results of Operations**

(in millions)	Year Ended December 31,		Better/(Worse)	
	2008	2007	\$	%
Revenues	\$14,625	\$13,423	\$ 1,202	9%
Expenses:				
Operating	8,787	7,431	(1,356)	(18)
Selling, general and administrative	2,910	2,663	(247)	(9)
Depreciation and amortization	405	393	(12)	(3)
Total expenses	12,102	10,487	(1,615)	(15)
Operating income	2,523	2,936	(413)	(14)
Interest expense, net	(482)	(464)	(18)	(4)
Gain on sale of equity investment	—	151	(151)	NM
Equity in (losses) earnings of investee companies	(74)	—	(74)	NM
Other items, net	(112)	(43)	(69)	NM
Earnings from continuing operations	1,855	2,580	(725)	(28)
Provision for income taxes	(605)	(929)	324	35
Minority interest, net of tax	(17)	(21)	4	19
Net earnings from continuing operations	1,233	1,630	(397)	(24)
Discontinued operations, net of tax	18	208	(190)	(91)
Net earnings	<u>\$ 1,251</u>	<u>\$ 1,838</u>	<u>\$ (587)</u>	<u>(32)%</u>

NM = not meaningful

**Revenues**

Revenues for the year ended December 31, 2008 increased \$1.202 billion, or 9%, to \$14.625 billion. The increase in revenues is primarily driven by a \$518 million increase in feature film revenues due to the mix of films released in the current year, as well as revenues recognized in connection with third-party distribution arrangements, a \$381 million increase in ancillary revenues related to a full year of sales of the *Rock Band* video game series and a \$281 million increase in affiliate revenues due to rate and subscriber increases. Advertising revenue growth, particularly domestically, was affected by softness in the overall advertising market as well as ratings challenges at certain of our channels.

**Management's Discussion and Analysis  
of Results of Operations and Financial Condition  
(continued)**

The following table presents our revenues by component:

Revenues by Component (in millions)	Year Ended December 31,		Better/(Worse)	
	2008	2007	\$	%
Advertising	\$ 4,722	\$ 4,690	\$ 32	1%
Feature film	5,771	5,253	518	10
Affiliate fees	2,620	2,339	281	12
Ancillary	1,676	1,295	381	29
Eliminations <sup>(1)</sup>	(164)	(154)	(10)	NM
Total revenues by component	<u>\$14,625</u>	<u>\$13,423</u>	<u>\$1,202</u>	<u>9%</u>

NM = not meaningful

(1) Eliminations of \$118 million, \$38 million and \$8 million in 2008 relate to advertising sales, feature film and ancillary revenues, respectively, and eliminations of \$92 million, \$48 million and \$14 million in 2007 related to advertising sales, feature film and ancillary revenues, respectively.

We generated 29% of our total consolidated revenues from international markets in 2008 as compared to 27% in 2007. Our principal international businesses are in Europe, of which the United Kingdom and Germany together accounted for approximately 48% and 49% of total European revenues for the years ended December 31, 2008 and 2007, respectively. The following table presents our revenues by geographic area in both total dollar values and as a percentage of total revenues:

Revenues by Geographic Area (in millions)	Year Ended December 31,		Percent of Total Revenues	
	2008	2007	2008	2007
United States	\$10,371	\$ 9,743	71%	73%
Europe	2,728	2,319	19	17
All other	1,526	1,361	10	10
Total revenues by geographic area	<u>\$14,625</u>	<u>\$13,423</u>	<u>100%</u>	<u>100%</u>

## Expenses and Operating Income

### Operating Expenses

In 2008, operating expenses increased \$1.356 billion, or 18%, to \$8.787 billion. Production and programming expenditures increased \$880 million, or 20%, to \$5.385 billion, including \$319 million, or 7 percentage points, related to the restructuring and other charges. The remaining \$561 million increase was principally driven by higher participation costs, principally related to Marvel's *Iron Man* and our new home entertainment distribution arrangement with CBS Corporation, feature film amortization due to the mix of film releases, and higher costs related to acquired and original programming. Distribution and other costs increased \$476 million, or 16%, to \$3.402 billion, principally due to higher costs associated with *Rock Band* and increased expenses related to our third-party distribution arrangements. For films we distribute on behalf of Marvel, DreamWorks Animation and DW Funding, we expense print and advertising costs as incurred and typically recover such costs following the theatrical release. We also record gross revenue and expenses as principal in these arrangements and in our home entertainment distribution arrangement with CBS Corporation.

**Management's Discussion and Analysis  
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*Selling, General and Administrative Expenses*

Selling, general and administrative expenses ("SG&A") increased \$247 million, or 9%, to \$2.910 billion in 2008, which includes \$94 million related to the restructuring and other charges. SG&A for the year ended December 31, 2007 includes \$77 million of restructuring costs in the *Media Networks* segment for international and domestic operations. The net impact of these charges was a \$17 million increase in SG&A, or 1 percentage point on reported growth. The remaining increase of \$230 million was primarily related to higher employee compensation expense, marketing costs, technology costs and research and professional services.

*Depreciation and Amortization*

Depreciation and amortization expense increased \$12 million, or 3%, in 2008, including \$41 million related to the restructuring and other charges. These charges and increased depreciation due to higher capital expenditures were partially offset by lower intangible asset amortization in the *Media Networks* segment resulting from certain subscriber agreements that were fully amortized in 2007.

*Operating Income*

Operating income decreased \$413 million, or 14%, to \$2.523 billion in 2008. In the current year, we recorded \$454 million related to the restructuring and other charges. *Media Networks* recorded \$77 million of restructuring costs in 2007. The net impact of these charges was a \$377 million, or 13-percentage point impact on reported operating income. The remaining \$36 million decrease reflects modest decreases at the *Media Networks* and *Filmed Entertainment* segments and a \$15 million, or 7%, increase in corporate expenses, including increased litigation-related costs and \$3 million related to the restructuring and other charges.

**Interest Expense, Net**

Interest expense, net includes costs related to our debt, capital lease and other obligations. In 2008, interest expense, net increased \$18 million from 2007 due to higher average debt outstanding partially offset by a lower average interest rate on our mix of obligations, which was driven by lower rates on our variable rate debt.

**Gain on Sale of Equity Investment**

In 2007, we sold MTV Networks' investment in Russia for \$191 million and recognized a pre-tax gain on the sale of \$151 million.

**Equity in (Losses) Earnings of Investee Companies**

Equity in losses of investee companies was \$74 million in 2008. The equity losses are primarily due to our share of the losses associated with our investments in Rhapsody America, which was acquired in the third quarter of 2007, and a digital satellite T.V. distributor in the Middle East. In 2009, we expect equity losses to increase primarily related to our investment in Viacom 18.

**Other Items, Net**

Other items, net reflects expenses of \$112 million in 2008, compared with \$43 million in 2007. The \$69 million increase in expenses is principally due to an increase of \$92 million in net foreign exchange losses in the current year due to the strengthening of the U.S. Dollar partially offset by \$21 million of lower costs associated with our receivables securitization programs resulting from lower interest rates and a \$9 million decrease in non-cash investment impairment charges in the current year.

**Provision for Income Taxes**

In 2008, the provision for income tax was \$605 million. The effective income tax rate was 32.6%, as compared to 36.0% in 2007. The reduction in the effective tax rate in 2008 is principally due to discrete tax benefits of \$55 million, partially offset by incremental taxes on our restructuring and other charges, for a net 2.8 percentage-point impact, recognized in 2008, compared with net discrete tax benefits of \$15 million, or 0.6 percentage

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points, in 2007. The discrete tax benefits in both years were principally due to reserve releases resulting from effectively settled audits. The reduction in the effective tax rate in 2008 was also favorably impacted by income tax benefits associated with a greater mix of earnings in international markets where tax rates are lower than the U.S. statutory tax rate.

**Minority Interest, Net of Tax**

Minority interest expense, net of tax, which represents ownership held by third parties of certain consolidated entities, was \$17 million and \$21 million for 2008 and 2007, respectively.

**Net Earnings from Continuing Operations**

Net earnings from continuing operations decreased \$397 million, or 24%, principally due to the 14% decrease in operating income, combined with the absence of the \$151 million pre-tax gain on the 2007 sale of MTV Networks' investment in Russia, the \$74 million increase in equity losses from investee companies, and the \$69 million increase in other expenses driven by the \$92 million increase in net foreign exchange losses, partially offset by the reduction in the effective tax rate.

**Discontinued Operations, Net of Tax**

In 2008, discontinued operations, net of tax, principally reflects settlement adjustments to businesses previously sold. Discontinued operations in 2007 primarily reflects the \$192 million gain on the sale of Famous Music in July 2007 and its net operating results prior to the sale.

**Net Earnings**

Net earnings decreased \$587 million, or 32%, principally due to the \$397 million decrease in net earnings from continuing operations and the absence of the \$192 million gain on the 2007 sale of Famous Music.

**Segment Results of Operations**

Operating income is used as the measurement of segment profit performance. Transactions between reportable segments are accounted for as third-party arrangements for the purposes of presenting reporting segment results of operations. Typical intersegment transactions include the purchase of advertising by the *Filmed Entertainment* segment on *Media Networks*' properties and the purchase of *Filmed Entertainment*'s feature films exhibition rights by *Media Networks*. The elimination of such intercompany transactions in the consolidated results of operations is included within eliminations in the table below. Certain 2007 amounts have been reclassified to conform to the 2008 presentation.

**Media Networks**

(in millions)	<u>Year Ended December 31,</u>		<u>Better/(Worse)</u>	
	2008	2007	\$	%
<b>Revenues by Component</b>				
Advertising	\$4,722	\$4,690	\$ 32	1%
Affiliate fees	2,620	2,339	281	12
Ancillary	1,414	1,072	342	32
Total revenues by component	<u>\$8,756</u>	<u>\$8,101</u>	<u>\$ 655</u>	<u>8%</u>
<b>Expenses</b>				
Operating	\$3,576	\$2,763	\$(813)	(29)%
Selling, general and administrative	2,177	2,014	(163)	(8)
Depreciation and amortization	274	276	2	1
Total expenses	<u>\$6,027</u>	<u>\$5,053</u>	<u>\$(974)</u>	<u>(19)%</u>
<b>Operating income</b>	<u>\$2,729</u>	<u>\$3,048</u>	<u>\$(319)</u>	<u>(10)%</u>

**Management's Discussion and Analysis  
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**Revenues**

Worldwide revenues increased \$655 million, or 8%, in 2008 to \$8.756 billion, primarily due to sales of the *Rock Band* video game series and rate and subscriber increases in affiliate fees. Domestic revenues increased to \$7.292 billion in 2008 from \$6.852 billion in 2007, an increase of \$440 million, or 6%. International revenues increased to \$1.464 billion in 2008 from \$1.249 billion in 2007, an increase of \$215 million, or 17%.

*Advertising*

In 2008, worldwide advertising revenues increased \$32 million, or 1%, to \$4.722 billion. Domestic advertising revenue decreased \$3 million, essentially flat year-over-year. During 2008, we experienced softness in the overall advertising market, particularly in the second half of the year, as well as ratings challenges at certain channels. International advertising revenues increased \$35 million, or 6%, reflecting growth across Europe. Foreign exchange and the contribution of our India operations to a joint venture negatively impacted reported international growth by 1-percentage point and 3-percentage points, respectively. In light of the uncertainties surrounding the current downturn in global economic conditions, we anticipate that such economic conditions may continue to put pressure on advertising growth rates domestically and internationally.

*Affiliate Fees*

Worldwide affiliate fees increased \$281 million, or 12%, to \$2.620 billion in 2008. Domestic affiliate growth increased 12% principally due to rate and subscriber increases across core channels, an increase in subscribers for digital channels and increased mobile affiliate revenues. International affiliate fees increased 11% principally driven by new contracts and subscriber growth across Europe and Latin America, partially offset by rate and subscriber decreases in the UK.

*Ancillary*

Worldwide ancillary revenues increased \$342 million, or 32%, to \$1.414 billion in 2008. Domestic ancillary revenues were up 26%, primarily driven by a full year of sales of *Rock Band*, including the domestic release of *Rock Band 2*, partially offset by revenue declines from home entertainment, consumer products and *Guitar Hero* royalties. International ancillary revenues increased 50% principally due to international sales of *Rock Band* and television licensing fees.

**Expenses and Operating Income**

*Media Networks* segment expenses increased \$974 million, or 19%, to \$6.027 billion in 2008. Included in 2008 expenses is \$389 million related to the restructuring and other charges as further described above. Expenses in 2007 included restructuring charges of \$77 million. The net impact of restructuring and other charges is a \$312 million increase in expenses, or 6 percentage points. The remaining increase of \$662 million was primarily due to *Rock Band*'s higher manufacturing costs, software amortization, marketing costs, royalty costs and participations, as well as amortization of programming costs and higher employee compensation expense.

*Operating Expenses*

Operating expenses increased \$813 million, or 29%, to \$3.576 billion in 2008. Production and programming costs increased \$453 million, or 21%, primarily related to acquired and original programming amortization. 2008 production and programming costs included \$286 million, or 13 percentage points, attributable to the restructuring and other charges. The remaining \$167 million, or 8 percentage points, reflects increased programming investment, principally in acquired programming. Distribution and other expenses increased \$360 million, principally for manufacturing costs, software amortization, and royalty and participations costs related to *Rock Band*, including costs associated with the launch of *Rock Band 2*.

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*Selling, General and Administrative Expenses*

SG&A increased \$163 million, or 8%, to \$2.177 billion in 2008, including \$65 million of costs related to the restructuring and other charges. 2007 included \$77 million of restructuring costs. The net impact of these charges was a \$12 million favorable variance, which was more than offset by higher marketing costs, employee compensation expense, technology costs and research and professional services.

*Depreciation and Amortization*

Depreciation and amortization decreased \$2 million in 2008. 2008 includes \$38 million related to the restructuring and other charges, which was more than offset by the lower amortization of intangible assets, as certain subscriber agreements were fully amortized in 2007, and lower capital lease depreciation expense resulting from transponder lease expirations.

*Operating Income*

Operating income decreased \$319 million, or 10%, to \$2.729 billion in 2008, principally due to the net \$312 million impact of restructuring and other charges. The remaining \$7 million decrease reflects operating income from strong affiliate fee growth which was more than offset by the impact of the advertising revenue softness and losses associated with *Rock Band*.

**Filmed Entertainment**

(in millions)	<u>Year Ended December 31,</u>		<u>Better/(Worse)</u>	
	2008	2007	\$	%
<b>Revenues by Component</b>				
Theatrical	\$1,714	\$1,466	\$ 248	17%
Home entertainment	2,724	2,493	231	9
Television license fees	1,333	1,294	39	3
Ancillary	262	223	39	17
Total revenues by component	<u>\$6,033</u>	<u>\$5,476</u>	<u>\$ 557</u>	<u>10%</u>
<b>Expenses</b>				
Operating	\$5,377	\$4,826	\$(551)	(11)%
Selling, general & administrative	522	448	(74)	(17)
Depreciation & amortization	108	99	(9)	(9)
Total expenses	<u>\$6,007</u>	<u>\$5,373</u>	<u>\$(634)</u>	<u>(12)%</u>
<b>Operating income</b>	<u>\$ 26</u>	<u>\$ 103</u>	<u>\$ (77)</u>	<u>(75)%</u>

**Revenues**

Worldwide revenues increased \$557 million, or 10%, to \$6.033 billion in 2008. The increase is primarily due to growth in theatrical revenues reflecting the mix of our current year film slate and in home entertainment third-party distribution revenues, including our new CBS distribution agreement. Domestic revenues increased to \$3.242 billion in 2008 from \$3.045 billion in 2007, an increase of \$197 million, or 6%. International revenues increased to \$2.791 billion in 2008 from \$2.431 billion in 2007, an increase of \$360 million, or 15%.

*Theatrical*

Worldwide theatrical revenues increased \$248 million, or 17%, to \$1.714 billion for the year ended December 31, 2008. Domestic theatrical revenues increased \$66 million primarily due to the mix of films released in the current year, including *Indiana Jones and the Kingdom of the Crystal Skull*, Marvel's *Iron Man*, and DreamWorks Animation's *Kung Fu Panda* and *Madagascar 2: Escape to Africa*, compared with DreamWorks Animation's *Shrek the Third* and

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*Bee Movie* and our release of *Transformers* in the prior year. *Iron Man* was the first Marvel film that we distributed. International theatrical revenues increased \$182 million also driven primarily by the mix of films released in the current year compared to the prior period.

The table below lists theatrical releases by title, by year, and sorted by release date, for the years ended December 31, 2008 and 2007.

2008	2007
<b>First Quarter Releases</b>	
Cloverfield (Jan)	Freedom Writers (Jan)
How She Move (Jan)	Norbit (Feb)
Strange Wilderness (Feb)	Reno 911: Miami (Feb)
The Eye (Feb)	Black Snake Moan (Mar)
The Spiderwick Chronicles (Feb)	Zodiac (Mar)
Drillbit Taylor (Mar)	Shooter (Mar)
Stop Loss (Mar)	Blades of Glory (Mar)
<b>Second Quarter Releases</b>	
Shine A Light (Apr)	Disturbia (Apr)
The Ruins (Apr)	Year of the Dog (Apr)
Son of Rambow (May)	Next (Apr)
Indiana Jones and the Kingdom of the Crystal Skull (May)	A Mighty Heart (Jun)
Foot Fist Way (May)	
Love Guru (Jun)	
<b>Third Quarter Releases</b>	
American Teen (Jul)	Transformers (Jul)
Tropic Thunder (Aug)	An Arctic Tale (Jul)
Ghost Town (Sep)	Hot Rod (Aug)
The Duchess (Sep)	Stardust (Aug)
Eagle Eye (Sep)	Into the Wild (Sep)
<b>Fourth Quarter Releases</b>	
The Curious Case of Benjamin Button (Dec)	The Heartbreak Kid (Oct)
Revolutionary Road (Dec)	Things We Lost in the Fire (Oct)
Defiance (Dec)	Beowulf (Nov)
	Margot at the Wedding (Nov)
	Kite Runner (Dec)
	Sweeney Todd: The Demon Barber of Fleet Street (Dec)
	There Will Be Blood (Dec)
	No Country for Old Men (Dec)
<b>DreamWorks Animation Releases</b>	
Kung Fu Panda (Jun)	Shrek the Third (May)
Madagascar 2: Escape to Africa (Nov)	Bee Movie (Nov)
<b>Marvel Entertainment Releases</b>	
Iron Man (May)	

**Management's Discussion and Analysis  
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*Home Entertainment*

Worldwide home entertainment revenues increased \$231 million, or 9%, to \$2.724 billion in 2008. Domestic home entertainment revenues increased \$164 million due to higher third-party distribution revenues, including our new CBS distribution agreement for which we record gross revenues and expenses as principal in the arrangement, and the release of *Iron Man*, for which there was no comparable title in the prior year. These increases were partially offset by a decrease in revenues from other titles relative to the prior year. Other titles released in 2008 included *Kung Fu Panda* and *Indiana Jones and the Kingdom of the Crystal Skull*, compared with *Transformers* and *Shrek the Third* released in 2007. International home entertainment revenues increased \$67 million, also driven primarily by the increase in third-party distribution revenues, including from the release of *Iron Man*, partially offset by a decrease in revenues from other titles relative to the prior year. The domestic DVD market has softened recently, particularly in the second half of 2008. This trend may continue in 2009, which may adversely affect our home entertainment revenues and profitability.

*Television License Fees*

Worldwide television license fees increased \$39 million, or 3%, to \$1.333 billion in 2008. The increase was primarily due to an increase in international markets driven by pay television and syndicated television partially offset by decreases in domestic pay and broadcast television due to the mix of available titles.

*Ancillary*

Ancillary revenues for the year ended December 31, 2008 increased \$39 million principally driven by higher digital revenues and licensing and merchandising revenues, primarily in connection with *Transformers*.

**Expenses and Operating Income**

*Filmed Entertainment* segment expenses increased \$634 million, or 12%, to \$6.007 billion for the year ended December 31, 2008. The increase in expenses primarily reflects higher feature film participation costs, principally due to *Iron Man*, film amortization due to the mix of film releases, print and advertising expenses related to our third-party distribution arrangements, and the impact of the restructuring and other charges as further described above.

*Operating Expenses*

Year-over-year operating expenses are impacted by the mix of film releases during a particular year. Operating expenses increased \$551 million, or 11%, to \$5.377 billion in 2008 including \$33 million, or 1 percentage point, related to the restructuring and other charges. The remaining increase is attributable to a \$409 million, or 17%, increase in feature film costs, principally participations related to *Iron Man* and film amortization, as well as a \$109 million, or 4%, increase in distribution and other costs, principally related to third-party distribution arrangements.

*Selling, General and Administrative Expenses*

SG&A increased \$74 million, or 17%, to \$522 million in 2008 including \$29 million, or 6 percentage points, of severance and other costs related to the restructuring and other charges. The remaining increase is principally due to higher employee compensation.

*Depreciation and Amortization Expense*

Depreciation and amortization increased by \$9 million in 2008 due to additional capital expenditures.

*Operating Income*

Operating income decreased \$77 million, or 75%, to \$26 million in 2008. This decline was driven by \$62 million related to the restructuring and other charges and decreased home entertainment catalog performance.

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**2007 vs. 2006**

Our summary consolidated results of operations are presented below for the years ended December 31, 2007 and 2006.

**Consolidated Results of Operations**

(in millions)	<u>Year Ended December 31,</u>		<u>Better/(Worse)</u>	
	<u>2007</u>	<u>2006</u>	<u>\$</u>	<u>%</u>
Revenues	\$13,423	\$11,361	\$ 2,062	18%
Expenses:				
Operating	7,431	5,963	(1,468)	(25)
Selling, general and administrative	2,663	2,266	(397)	(18)
Depreciation and amortization	393	365	(28)	(8)
Total expenses	10,487	8,594	(1,893)	(22)
Operating income	2,936	2,767	169	6
Interest expense, net	(464)	(442)	(22)	(5)
Gain on sale of equity investment	151	—	151	NM
Equity in earnings of investee companies	—	10	(10)	NM
Other items, net	(43)	(14)	(29)	NM
Earnings from continuing operations	2,580	2,321	259	11
Provision for income taxes	(929)	(740)	(189)	(26)
Minority interest, net of tax	(21)	(14)	(7)	(50)
Net earnings from continuing operations	1,630	1,567	63	4
Discontinued operations, net of tax	208	25	183	NM
Net earnings	<u>\$ 1,838</u>	<u>\$ 1,592</u>	<u>\$ 246</u>	<u>15%</u>

NM = not meaningful

**Revenues**

Revenues in 2007 increased \$2.062 billion, or 18%, to \$13.423 billion. *Media Networks* segment revenues increased \$860 million, or 12%, to \$8.101 billion. Net acquisitions (defined as acquisitions net of dispositions) in our *Media Networks* segment contributed net incremental revenues of \$92 million. A detailed description of the 2006 and 2007 transactions included in net acquisitions is contained in the *Media Networks* segment section. *Filmed Entertainment* segment revenues increased \$1.202 billion, or 28%, to \$5.476 billion, including \$101 million in incremental revenues for the month of January 2007 from the acquisition of DreamWorks, which closed on January 31, 2006.

**Management's Discussion and Analysis  
of Results of Operations and Financial Condition  
(continued)**

The following tables present our revenues by component in both total dollar values and as a percentage of total revenues:

Revenues by Component (in millions)	Year Ended December 31,		Better/(Worse)	
	2007	2006	\$	%
Advertising	\$ 4,690	\$ 4,346	\$ 344	8%
Feature film	5,253	4,104	1,149	28
Affiliate fees	2,339	2,050	289	14
Ancillary	1,295	1,015	280	28
Eliminations <sup>(1)</sup>	(154)	(154)	—	NM
Total revenues by component	<u>\$13,423</u>	<u>\$11,361</u>	<u>\$2,062</u>	<u>18%</u>

(1) Eliminations of \$92 million, \$48 million and \$14 million in 2007 related to advertising sales, feature film and ancillary revenues, respectively and eliminations of \$74 million, \$51 million and \$29 million in 2006 related to advertising sales, feature film and ancillary revenues, respectively.

We generated 27% of our total consolidated revenues from international markets in 2007 as compared to 24% in 2006. International net acquisitions by the *Media Networks* segment contributed \$5 million and \$77 million of incremental revenue during 2007 and 2006, respectively, principally in Europe. Our principal international businesses are in Europe, of which the United Kingdom and Germany accounted for approximately 49% and 54% of total European revenues in 2007 and 2006, respectively.

Revenues by Geographic Area (in millions)	Year Ended December 31,		Percent of Total	
	2007	2006	2007	2006
United States	\$ 9,743	\$ 8,641	73%	76%
Europe	2,319	1,700	17	15
All other	1,361	1,020	10	9
Total revenues by geographic area	<u>\$13,423</u>	<u>\$11,361</u>	<u>100%</u>	<u>100%</u>

## Expenses and Operating Income

### Operating Expenses

In 2007, operating expenses increased \$1.468 billion, or 25%, to \$7.431 billion. Production and programming expenditures increased \$609 million, or 16%, to \$4.505 billion principally driven by increased film amortization in our *Filmed Entertainment* segment. The increase in feature film amortization was primarily attributable to the release of *Shrek the Third* and *Transformers* and the number and timing of other theatrical releases. Programming costs, the largest operating expense of our *Media Networks* segment, also increased, primarily as a result of continued investment in original and acquired programming. Distribution and other expenses increased \$859 million, or 42%, to \$2.926 billion, primarily due to higher print and advertising expenditures in our *Filmed Entertainment* segment reflecting the increased number of theatrical and home entertainment releases during the year, including *Shrek the Third* and *Transformers*, and timing of those releases. In addition, a full year of operating activity from DreamWorks and the related distribution activities for DreamWorks Animation and DW Funding added to distribution expenses for the period. Increased distribution expenses in our *Media Networks* segment reflect costs associated with the release of *Rock Band* and increased home entertainment distribution costs.

**Management's Discussion and Analysis  
of Results of Operations and Financial Condition  
(continued)**

*Selling, General and Administrative Expenses*

SG&A expenses were up \$397 million, or 18%, to \$2.663 billion in 2007 primarily due to higher employee compensation expense, including cash and equity-based incentive compensation, the full year impact of net acquisitions, the impact of foreign exchange, increased legal fees and bad debt expenses, and costs associated with new business initiatives. Incremental restructuring charges of \$62 million related to restructuring actions at MTVN were substantially offset by the impact of the \$73 million net compensation charge taken in 2006 in connection with executive management changes.

*Depreciation and Amortization*

Depreciation and amortization expense increased \$28 million, or 8%, in 2007 principally as a result of an increase in depreciation on current-year fixed asset additions. Additionally, we experienced an increase in intangible asset amortization expense resulting from a full year of amortization on 2006 acquisitions, particularly DreamWorks by the *Filmed Entertainment* segment.

*Operating Income*

Operating income increased \$169 million, or 6%, in 2007 to \$2.936 billion. *Media Networks* operating income increased 5% or \$144 million with the 12% increase in revenues partially offset by a 17% growth in expenses, principally compensation-related costs, including restructuring charges of \$77 million in 2007 versus \$15 million in 2006, programming costs and costs associated with *Rock Band*. *Filmed Entertainment* operating income decreased by \$29 million, or 22%, principally due to higher distribution-related costs, principally print and advertising, and higher feature film amortization related to a greater number of film releases during the year, as well as costs associated with new business initiatives. The increase in *Filmed Entertainment* expenses was partially offset by increased revenues on certain 2007 releases, in particular *Transformers* and *Shrek the Third*, and revenues from prior year releases. Corporate expenses declined \$50 million largely due to the net compensation charge of \$73 million recorded in 2006, partially offset by increased equity compensation and legal expenses.

**Interest Expense, Net**

In 2007, interest expense, net increased \$22 million from the prior year due to an increase in interest rates reflecting the impact of the fixed-rate debt issuances during 2006 and 2007, which more than offset the decrease in average debt outstanding. The decrease in average debt outstanding resulted principally from the use of cash flow provided by operations and proceeds received from dispositions during 2007 of \$555 million to repay indebtedness.

**Gain on Sale of Equity Investment**

In 2007, we sold MTV Networks' investment in Russia for \$191 million and recognized a pre-tax gain on the sale of \$151 million.

**Equity in Earnings of Investee Companies**

Equity in earnings of investee companies decreased by \$10 million in 2007. In the third quarter of 2007, we began recognizing our share of the losses from Rhapsody America.

**Other Items, Net**

Other items, net in 2007 reflected net expenses of \$43 million principally arising from losses on securitization programs, as well as a \$36 million impairment charge related to a minority investment accounted for under the cost method, partially offset by foreign exchange gains.

**Management's Discussion and Analysis  
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(continued)**

**Provision for Income Taxes**

For 2007, we recorded income tax expense of \$929 million on pre-tax earnings of \$2.580 billion resulting in an effective tax rate of 36.0% compared to 31.9% in 2006. The increase in our effective tax rate was principally due to \$15 million, or 0.6 percentage points of discrete tax benefits recognized in 2007 versus \$142 million, or 6.1 percentage points, in 2006. The discrete tax benefits in both years were principally the result of audit settlements. Excluding the impact of the discrete tax benefits, the reduction in the effective tax rate was principally due to incremental tax benefits associated with qualified production activities and a higher mix of international profits in markets where income is taxed at rates lower than the U.S. statutory rate and lower state taxes.

**Minority Interest, Net of Tax**

Minority interest expense, net of tax, was \$21 million and \$14 million in 2007 and 2006, respectively. The increase in expense was primarily attributable to the consolidation of Nick UK and MTV Japan, as well as normal operating increases.

**Net Earnings from Continuing Operations**

Net earnings from continuing operations increased \$63 million, or 4%, principally due to the 6% increase in operating income and the \$151 million pre-tax gain on the sale of MTV Networks' investment in Russia, partially offset by the increase in the effective tax rate.

**Discontinued Operations, Net of Tax**

Earnings from discontinued operations in 2007 principally reflect the gain recorded in connection with the sale of Famous Music. In 2006, discontinued operations include the release of tax reserves resulting from audit settlements related to discontinued businesses, including Blockbuster Inc., which was split off from Former Viacom in 2004.

**Net Earnings**

Net earnings increased \$246 million, or 15%, principally due to the \$63 million increase in net earnings from continuing operations and the gain on the sale of Famous Music.

**Segment Results of Operations**

**Media Networks**

(in millions)	<u>Year Ended December 31,</u>		<u>Better/(Worse)</u>	
	2007	2006	\$	%
<b>Revenues by Component</b>				
Advertising	\$4,690	\$4,346	\$ 344	8%
Affiliate fees	2,339	2,050	289	14
Ancillary	1,072	845	227	27
Total revenues by component	<u>\$8,101</u>	<u>\$7,241</u>	<u>\$ 860</u>	<u>12%</u>
<b>Expenses</b>				
Operating	\$2,763	\$2,457	\$(306)	(12)%
Selling, general and administrative	2,014	1,610	(404)	(25)
Depreciation and amortization	276	270	(6)	(2)
Total expenses	<u>\$5,053</u>	<u>\$4,337</u>	<u>\$(716)</u>	<u>(17)%</u>
<b>Operating income</b>	<u>\$3,048</u>	<u>\$2,904</u>	<u>\$ 144</u>	<u>5 %</u>

**Management's Discussion and Analysis  
of Results of Operations and Financial Condition  
(continued)**

During 2007, we invested \$15 million in acquisitions, none of which had a significant impact on 2007 operating results.

We made several acquisitions during 2006 that contributed to segment revenues and operating income in 2007, including Harmonix Music Systems, Inc. ("Harmonix"), the developer of *Guitar Hero* and *Rock Band* and other music gaming titles, in October 2006, and Atom Entertainment, Inc., which owned a portfolio of online destinations for casual games, short films and animation, in September 2006. Additional acquisitions completed during 2006 included Quizilla, LLC, Y2M: Youth Media & Marketing, Xfire, Inc. and Caballero Television.

During 2006, we also acquired controlling interests in entities previously accounted for under the equity method of accounting. In November 2006, we completed the acquisition of the remaining 50% interest in MTV Poland. In September 2006, we acquired the remaining 63.8% interest in MTV Japan. In August 2006, we acquired the remaining 58% interest of BET Interactive, the owner of BET.com. In June 2006, we acquired an additional 10% interest in Nick UK. Previously, Nick UK was a fifty-fifty joint venture with BSkyB. The results of these entities have been consolidated since the closing date of the transactions (the "international consolidations").

Further, in the fourth quarter of 2006 we disposed of an international production operation.

The transactions discussed above (the "net acquisitions") impact the comparability of our results over the periods presented and contributed \$92 million of net revenue growth in 2007. Therefore, the impact of net acquisitions is referenced throughout the discussion. Net acquisition impact represents amounts included in reported results for which the acquired or disposed entity was not also consolidated in the comparable period.

**Revenues**

Worldwide revenues increased \$860 million, or 12%, in 2007 to \$8.101 billion, led by an 8% increase in advertising revenues. Affiliate fees and ancillary revenues were up 14% and 27%, respectively. Domestic revenues increased to \$6.852 billion in 2007 from \$6.183 billion in 2006, an increase of \$669 million, or 11%. International revenues increased to \$1.249 billion in 2007 from \$1.058 billion in 2006, an increase of \$191 million, or 18%. Net acquisitions, as further discussed above, contributed \$92 million to revenue growth.

*Advertising*

Worldwide advertising revenues were up 8% to \$4.690 billion in 2007. Net acquisitions contributed 1 percentage point of reported growth. Domestic advertising revenues increased 6% versus 2006 driven by Spike TV, VH1, MTV, COMEDY CENTRAL and digital properties. International advertising revenues increased 23% primarily due to the full year impact of the 2006 acquisitions of controlling interests in Nick UK, MTV Japan and MTV Poland. In addition, international revenues benefited from strong European performance, driven by monetization of ratings strength, and foreign currency benefits, which contributed 9 percentage points of international growth, partially offset by declines in Southeast Asia due to the licensing of certain previously owned and operated channels.

*Affiliate Fees*

Worldwide affiliate fees increased 14% to \$2.339 billion in 2007. The full year impact of international consolidations contributed 2 percentage points of total reported growth. Domestic affiliate fees grew 11% principally as a result of higher rates. International affiliate fees increased 30% driven principally by the consolidation of Nick UK, MTV Japan and MTV Poland, foreign exchange benefits of 8 percentage points, new channel launches and subscriber growth in certain European markets.

**Management's Discussion and Analysis  
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(continued)**

*Ancillary*

Worldwide ancillary revenues increased 27% in 2007 to \$1.072 billion. Domestic ancillary revenues for the year were up 42% driven by sales of the *Rock Band* video game released in the fourth quarter of 2007, royalties earned on video games, including the *Guitar Hero* series, higher digital revenues and increased television license fees. These increases were partially offset by lower home video revenues due to a lower number of video releases. In 2006, home video revenues benefited from the release of *Chappelle's Show: The Lost Episodes*. International ancillary revenues decreased 4% during the year principally due to the fourth quarter 2006 disposition of an international production operation partially offset by higher consumer products licensing and the contribution of the international consolidations. Foreign exchange contributed 3 percentage points of international growth.

**Expenses and Operating Income**

*Media Networks* segment expenses increased \$716 million, or 17%, to \$5.053 billion in 2007 primarily due to increased employee compensation costs and distribution expenses associated with the fourth quarter 2007 release of *Rock Band*.

*Operating Expenses*

In 2007, total operating expenses increased \$306 million due primarily to an increase in distribution expenses, including costs related to *Rock Band*, which was released in the fourth quarter of 2007 and increased production and programming costs, principally programming amortization. The increase in programming amortization reflects both acquired programming, particularly on Spike TV and Nick at Nite, and original programming, particularly on MTV.

*Selling, General and Administrative Expenses*

In 2007, SG&A increased \$404 million to \$2.014 billion primarily due to increased employee compensation costs, including incentive compensation, incremental restructuring charges of \$62 million, the impact of foreign exchange, higher facilities costs, the full year impact of net acquisitions, increases in legal expenses and bad debt expenses and the impact of the 2006 gain resulting from the sale of distribution rights in Europe.

*Depreciation and Amortization*

Depreciation and amortization increased \$6 million in 2007 principally due to the amortization of intangibles associated with 2006 acquisitions.

*Operating Income*

Operating income grew 5% to \$3.048 billion in 2007 compared to the prior year due to a 12% increase in revenues partially offset by a 17% increase in expenses, including restructuring charges of \$77 million in 2007 versus \$15 million in 2006. Net acquisitions contributed \$11 million to operating income, primarily due to the acquisition of Harmonix and the consolidation of Nick UK partially offset by the disposition of an international production operation in 2006.

**Management's Discussion and Analysis  
of Results of Operations and Financial Condition  
(continued)**

**Filmed Entertainment**

(in millions)	Year Ended December 31,		Better/(Worse)	
	2007	2006	\$	%
<b>Revenues by Component</b>				
Theatrical	\$1,466	\$ 866	\$ 600	69%
Home entertainment	2,493	2,116	377	18
Television license fees	1,294	1,122	172	15
Ancillary	223	170	53	31
Total revenues by component	\$5,476	\$4,274	\$ 1,202	28%
<b>Expenses</b>				
Operating	\$4,826	\$3,660	\$(1,166)	(32)%
Selling, general & administrative	448	400	(48)	(12)
Depreciation & amortization	99	82	(17)	(21)
Total expenses	5,373	4,142	(1,231)	(30)%
Operating income	\$ 103	\$ 132	\$ (29)	(22)%

The acquisition of DreamWorks and the commencement of distribution of activities for DreamWorks Animation and the live-action library films on January 31, 2006 impact the comparability of our results of operations over the periods presented. The results of operations for DreamWorks have been included in the *Filmed Entertainment* segment beginning February 1, 2006.

Worldwide revenues increased \$1.202 billion, or 28%, in 2007 to \$5.476 billion. The increase in 2007 is primarily due to the number and mix of releases, including the performance of *Transformers* and *Shrek the Third*, both released in 2007. The remaining increase is driven by the acquisition of DreamWorks and the related DWA agreements, contributing incremental revenues of \$101 million in January 2007. In 2006, the DreamWorks acquisition contributed revenues of \$1.359 billion. Domestic revenues increased to \$3.045 billion in 2007 from \$2.613 billion in 2006, an increase of \$432 million, or 17%. International revenues increased to \$2.431 billion in 2007 from \$1.661 billion in 2006, an increase of \$770 million, or 46%.

*Theatrical*

Worldwide theatrical revenues in 2007 increased \$600 million, or 69%, to \$1.466 billion. We released twenty-six films during 2007 compared to nineteen films in 2006. Domestic revenues increased \$271 million primarily due to the number and mix of theatrical releases, particularly the performance of *Transformers* released in 2007 compared to *Mission: Impossible III* in 2006. Distribution of DreamWorks Animation's *Shrek the Third* and *Bee Movie* contributed incremental revenues of \$118 million compared to *Over the Hedge* and *Flushed Away* distributed in 2006. International revenues increased \$329 million due principally to our release of *Transformers* and distribution of *Shrek the Third*, which contributed a combined \$197 million of incremental revenues over 2006 releases *Mission: Impossible III* and *Over the Hedge*.

**Management's Discussion and Analysis  
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The table below lists theatrical releases by title, by year, sorted by release date, for the years ended December 31, 2007 and 2006.

2007	2006
<b>First Quarter Releases</b>	
Freedom Writers (Jan)	Last Holiday (Jan)
Norbit (Feb)	Neil Young Heart of Gold (Feb)
Reno 911: Miami (Feb)	Failure to Launch (Mar)
Black Snake Moan (Mar)	Ask the Dust (Mar)
Zodiac (Mar)	She's the Man (Mar)
Shooter (Mar)	
Blades of Glory (Mar)	
<b>Second Quarter Releases</b>	
Disturbia (Apr)	Mission: Impossible III (May)
Year of the Dog (Apr)	An Inconvenient Truth (May)
Next (Apr)	Nacho Libre (Jun)
A Mighty Heart (Jun)	
<b>Third Quarter Releases</b>	
Transformers (Jul)	Barnyard (Aug)
Arctic Tale (Jul)	World Trade Center (Aug)
Hot Rod (Aug)	Last Kiss (Sep)
Stardust (Aug)	jackass: number two (Sep)
Into the Wild (Sep)	
<b>Fourth Quarter Releases</b>	
The Heartbreak Kid (Oct)	Flags of Our Fathers (Oct)
Things We Lost in the Fire (Oct)	Babel (Oct)
Beowulf (Nov)	Charlotte's Web (Dec)
Margot at the Wedding (Nov)	Dreamgirls (Dec)
Kite Runner (Dec)	Perfume (Dec)
Sweeney Todd: The Demon Barber of Fleet Street (Dec)	
There Will Be Blood (Dec)	
No Country for Old Men (Dec)	
<b>DreamWorks Animation Releases</b>	
Shrek the Third (May)	Over the Hedge (May)
Bee Movie (Nov)	Flushed Away (Nov)

*Home Entertainment*

Worldwide home entertainment revenues in 2007 increased \$377 million, or 18%, to \$2.493 billion. Domestic home entertainment revenues increased \$66 million to \$1.469 billion due primarily to higher revenues on current year releases, including *Transformers* and DreamWorks Animation's *Shrek the Third*, as well as a year-over-year increase in titles released, partially offset by lower revenues generated from prior year releases and catalog revenues. International home entertainment revenues increased \$312 million to \$1.024 billion, also reflecting the performance of *Transformers* and *Shrek the Third* and higher revenues from prior year releases, including *Flushed Away* and *World Trade Center*.

**Management's Discussion and Analysis  
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(continued)**

*Television License Fees*

Worldwide television license fees in 2007 increased \$172 million, or 15%, to \$1.294 billion. The DreamWorks acquisition contributed \$31 million of incremental revenue in January 2007. The remaining increase is primarily attributable to an increase in international syndicated license fees and networks license fees, partially offset by a decline in pay television revenues. These fluctuations were due to the timing and mix of products available.

*Ancillary*

Ancillary revenues in 2007 increased \$53 million, or 31%, to \$223 million primarily due to higher licensing and merchandising revenues, principally related to *Transformers*, and higher digital revenues.

**Expenses and Operating Income**

*Filmed Entertainment* segment expenses increased \$1.231 billion, or 30%, to \$5.373 billion for the year ended December 31, 2007 primarily due to higher print and advertising expenses as well as feature film amortization due to the number and mix of film releases.

*Operating Expenses*

In 2007, operating expenses increased \$1.166 billion, or 32%, to \$4.826 billion. The increase principally reflects higher distribution-related costs of \$654 million primarily due to print and advertising costs, and higher feature film amortization expense of \$518 million, primarily attributable to the release of *Shrek the Third* and *Transformers*, as well as the increased number of theatrical releases during the year and timing of those releases.

*Selling, General and Administrative Expenses*

SG&A increased \$48 million, or 12%, to \$448 million in 2007 primarily attributable to costs associated with new business initiatives.

*Depreciation and Amortization Expense*

Depreciation and amortization increased by \$17 million in 2007 resulting from a full year of amortization attributable to the acquisition of DreamWorks as well as higher depreciation of fixed assets.

*Operating Income*

Operating income decreased by \$29 million in 2007 principally due to higher distribution-related costs, principally print and advertising, and higher feature film amortization related to a greater number of film releases during the year, as well as costs associated with new business initiatives. The increase in expenses in 2007 was partially offset by increased revenues on certain 2007 releases, in particular *Transformers* and *Shrek the Third*, and revenues from prior year releases.

**LIQUIDITY AND CAPITAL RESOURCES**

**Liquidity**

***Sources and Uses of Cash***

Our primary source of liquidity is cash provided through the operations of our businesses. These cash flows from operations, together with our credit facility and access to capital markets, provide us adequate resources to fund our ongoing operations including investment in programming and film productions, capital expenditures, new projects and acquisitions. Our principal uses of cash include the creation of new content, acquisitions of third-party content, ongoing investments in our businesses and acquisitions of businesses. We also use cash for interest and tax payments and discretionary share repurchases. We manage our use of cash with a goal of maintaining total debt levels within rating agency guidelines to maintain an investment grade credit rating.

**Management's Discussion and Analysis  
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(continued)**

We may access external financing from time to time depending on our cash requirements, assessments of current and anticipated market conditions and after-tax cost of capital. Our access to capital markets can be impacted by factors outside our control. Although capital markets have been adversely affected by recent problems in the worldwide financial system, we believe that our existing bank facility and investment grade credit rating will provide us with adequate access to funding given our expected cash needs. In the current capital markets, the cost of any additional borrowings is likely to be higher than our existing borrowing costs as experienced in recent periods. Any new borrowing cost would be affected by market conditions and short and long-term debt ratings assigned by independent rating agencies, which are based on our performance as measured by certain credit metrics such as interest coverage and leverage ratios. Our bank facility is subject to one principal financial covenant which requires our interest coverage, calculated as operating income before depreciation and amortization divided by interest expense (both as defined by the credit agreement), for the most recent four consecutive fiscal quarters to be at least 3.0x. As of December 31, 2008, it was approximately 7.0x.

The table below summarizes our credit ratings as of December 31, 2008:

	Long-term	Short-term	Outlook
Moody's Investors Service	Baa3	P-3	Stable
Standard & Poors	BBB	A-2	Negative
Fitch Ratings	BBB	F-2	Stable

Historically we have entered into film financing arrangements that involve the sale of a partial copyright interest in a film to third-party investors. Since the investors typically have the risks and rewards of ownership proportionate to their ownership in the film, we generally record the amounts received for the sale of copyright interest as a reduction of the cost of the film and related cash flows are reflected in net cash flow from operating activities. We also have agreements with third parties, including other studios, to co-finance certain of our motion pictures.

#### **Cash Flows**

Cash and cash equivalents decreased by \$128 million for the year ended December 31, 2008, and increased \$214 million for the year ended December 31, 2007. The change in cash and cash equivalents was attributable to the following:

Cash Flows (in millions)	Year Ended December 31,		
	2008	2007	2006
Cash provided by operations	\$ 2,036	\$ 1,776	\$ 2,270
Net cash flow (used in) / from investing activities	(571)	248	(933)
Net cash flow used in financing activities	(1,555)	(1,831)	(1,013)
Effect of exchange rates on cash and cash equivalents	(38)	21	21
(Decrease)/Increase in cash and cash equivalents	<u>\$ (128)</u>	<u>\$ 214</u>	<u>\$ 345</u>

#### **Operating Activities**

Cash provided by operations was \$2.036 billion for the year ended December 31, 2008, an increase of \$260 million compared with 2007. The increase is primarily due to increased receivables collections and decreased income tax payments of \$85 million, partially offset by higher participation payments associated with our current year film slate and higher spending on programming.

**Management's Discussion and Analysis  
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(continued)**

The *Media Networks* segment consistently generates a significant percentage of our cash flow from operating activities. Advertising time is generally purchased by large media buying agencies and our affiliate fees are principally earned from cable and satellite television operators. We have payment terms of generally ninety days or less and our current days sales outstanding for the *Media Networks* segment, calculated as net accounts receivable divided by net revenues, multiplied by 360, was 50 days for 2008, an improvement of 7 days as compared to 2007. We continue our focus on lowering our days sales outstanding. The *Filmed Entertainment* segment's operational results and ability to generate cash flow from operations substantially depend on the number and timing of films in development and production, the level and timing of print and advertising costs and the public's response to our theatrical film and home entertainment releases. Our cash flow from operations tends to fluctuate seasonally as a result of the timing of cash payments and collections, typically being highest in the fourth quarter.

Cash provided by operating activities of \$1.776 billion for the year ended December 31, 2007 decreased \$494 million versus 2006. The net decrease was principally due to a decrease in cash flows from receivables, primarily attributable to the \$500 million increase in our securitization facilities in 2006, higher investment in original and acquired programming, and an increase of \$186 million in cash taxes paid, including taxes on gains of disposed operations, partially offset by increased net earnings from continuing operations.

*Investing Activities*

Cash used in investing activities was \$571 million for the year ended December 31, 2008 compared with cash from investing activities of \$248 million in 2007. In 2008, cash used in investing activities includes \$288 million of capital expenditures, principally related to improvements to certain new and existing facilities (including approximately \$100 million related to New York real estate facilities), and a net \$225 million related to business combinations, which includes a \$150 million earn-out payment related to our 2006 acquisition of Harmonix, and \$71 million of investments in and advances to equity affiliates.

In general, our segments require relatively low levels of capital expenditures in relation to our annual cash flow from operations which contributes to our ability to generate cash flow for future investment in our content and business operations, which we expect to be able to maintain over time.

In 2007, cash from investing activities was \$248 million and included \$191 million received from the sale of MTV Networks' investments in Russia and \$352 million from the sale of Famous Music, partially offset by \$237 million in capital expenditures and a net \$70 million related to business combinations and investments in and advances to equity affiliates.

*Financing Activities*

Cash used in financing activities was \$1.555 billion for the year ended December 31, 2008, compared with \$1.831 billion in 2007. The cash utilized during this period was principally driven by \$1.266 billion of share repurchases and net payments of \$280 million on the outstanding balances related to our credit facility, commercial paper and other long-term debt obligations.

Cash used in 2007 for financing activities was \$1.831 billion, including \$2.134 billion of share repurchases. During 2007, we raised fixed rate debt of \$745 million through the issuance of Senior Notes and Debentures and borrowed \$750 million of bank debt under our revolving credit facility. These proceeds were used to repay \$1.038 billion of commercial paper. Additionally, in 2007, we paid a final amount of \$170 million related to the special dividend to CBS Corporation.

**Management's Discussion and Analysis  
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***Commitments and Contingencies***

Our commitments not recorded on the balance sheet primarily consist of programming and talent arrangements, operating lease arrangements, purchase obligations for goods and services and future funding commitments to joint ventures. See the section entitled *Off-Balance Sheet Arrangements* for additional information on these obligations.

In the normal course of our business, we provide and receive the benefit of indemnities that are intended to allocate certain risks associated with business transactions. Similarly, we may remain contingently liable for various obligations of a business that has been divested in the event that a third party does not live up to its obligations under an indemnification agreement. Further, we may from time to time agree to pay additional consideration to the sellers of a business depending on the performance of the business during a period following the closing.

***Guarantees***

We guarantee debt on certain of our unconsolidated investments, including principal and interest, of approximately \$242 million at December 31, 2008 and have accrued a liability of \$55 million in respect of such exposures. Our guarantees principally relate to our investment in DW Funding, as more fully described in Note 5 to the Consolidated Financial Statements.

At December 31, 2008, our aggregate guarantee related to lease commitments of divested businesses, primarily Blockbuster Inc. ("Blockbuster") and Famous Players, was \$1.003 billion with a recorded liability of \$245 million, reflecting the estimated fair value of the guarantees at their inception, including certain assumed renewals, which may or may not occur. Based on our consideration of financial information available to us, the lessees' performance in meeting their lease obligations, the underlying economic factors impacting the lessees' business models and where applicable, letters of credit on our behalf, we believe that our accrual is sufficient to meet any future obligations. Blockbuster has agreed to indemnify Former Viacom with respect to any amount paid under these guarantees. In the third quarter of 2008, we and Blockbuster agreed to reduce the amount of Blockbuster's letters of credit, which secure Blockbuster's indemnification obligations, from \$150 million to \$75 million. At December 31, 2008, \$90 million of letters of credit were still in place. Additionally, in connection with the separation, we agreed to indemnify Former Viacom with respect to certain theater lease obligations associated with Famous Players which Former Viacom sold in 2005.

Finally, we have indemnification obligations with respect to letters of credit and surety bonds primarily used as security against non-performance in the normal course of business. The outstanding letters of credit and surety bonds at December 31, 2008 were \$148 million and are not recorded on the balance sheet.

***Contingent Consideration on Acquisitions***

In October 2006, we acquired Harmonix, the developer of *Guitar Hero* and other music gaming titles, for initial cash consideration of \$175 million. The acquisition agreement provided that to the extent financial results exceeded specific contractual targets against a defined gross profit metric through 2008, former Harmonix shareholders are eligible for incremental earn-out payments with respect to the years ended December 31, 2007 and December 31, 2008. In 2008, we paid \$150 million, subject to adjustment, under this earn-out agreement related to 2007 performance. The 2008 earn-out payment, payable in 2009, will depend on the final assessment of performance and is expected to be less than the 2007 earn-out payment.

***Legal Matters***

See the section entitled *Other Matters*.

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**Capital Resources***Capital Structure and Debt*

At December 31, 2008, total debt was \$8.002 billion, a decrease of \$244 million, or 3%, from \$8.246 billion at December 31, 2007. The decrease in debt reflects our increased cash from operations.

(in millions)	December 31,	
	2008	2007
Senior notes and debentures	\$6,970	\$6,967
Note payable	136	170
Credit facility	650	750
Commercial paper	—	56
Capital leases and other obligations	246	303
Total debt	<u>\$8,002</u>	<u>\$8,246</u>

*Senior Notes and Debentures*

In October 2007, we sold \$500 million aggregate principal amount of 6.125% Senior Notes due 2017 at a price equal to 99.286% of the principal amount and \$250 million aggregate principal amount of 6.750% Senior Debentures due 2037 at a price equal to 99.275% of the principal amount. The total discount on the sale of these instruments was \$5 million. We used the total cash proceeds, net of discount and offering expenses, of \$740 million to repay amounts outstanding under our revolving credit facility and our commercial paper program. The \$750 million Senior Notes due in June 2009 are classified as long-term debt as we have the intent and ability, through utilization of our \$3.25 billion revolving facility due December 2010, to refinance this debt. There are no other senior notes or debentures maturing in 2009.

*Note Payable*

In 2007, we contributed a \$230 million non-interest bearing note payable (\$190 million discounted at a rate of 5.8% with quarterly principal payments fully amortizing in 2013) and certain assets related to MTVN's URGE digital music service for a 49% stake in Rhapsody America LLC, a newly formed venture with RealNetworks, Inc. At December 31, 2008, the total remaining principal balance on the note was \$161 million, including an unamortized discount of \$25 million.

*Credit Facility*

At December 31, 2008 and 2007, we had a single \$3.25 billion revolving facility due December 2010. The primary purpose of the facility is to fund short-term liquidity needs and to support commercial paper borrowings. Borrowing rates under the revolving facility are determined at the time of each borrowing and are based generally on LIBOR plus a margin based on our senior unsecured credit rating. A facility fee is paid based on the total amount of the commitments. In addition, we may borrow in certain foreign currencies up to specified limits under the revolving facility.

The credit facility contains typical covenants for an investment grade company. The principal financial covenant requires our interest coverage for the most recent four consecutive fiscal quarters to be at least 3.0x, which we met at December 31, 2008. As of December 31, 2008, it was approximately 7.0x.

*Commercial Paper*

At December 31, 2008, we have no commercial paper outstanding. At December 31, 2007, the outstanding commercial paper had a weighted average interest rate of 5.95% and an average remaining life of less than 30

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days. We typically classify commercial paper as long-term debt as we have the intent and ability through utilization of our \$3.25 billion revolving facility due December 2010 to refinance this facility.

Our scheduled maturities of long-term debt at face value, excluding capital leases, outstanding at December 31, 2008 were as follows:

Maturities of Long-Term Debt Excluding Capital Leases (in millions)	2009	2010	2011	2012	2013	2014- thereafter
Long-term debt	\$ 815	\$ 715	\$ 1,531	\$ —	\$ 73	\$ 4,750

We anticipate that future debt maturities will be funded with cash and cash equivalents, cash flows from operating activities, our credit facility and future access to capital markets. There can be no assurance that we will be able to access capital markets on terms and conditions that will be acceptable to us. There are no provisions in any of our material financing agreements that would cause an acceleration of the obligation in the event of a downgrade in our debt ratings, except in the case of our Senior Notes due 2017 and Senior Debentures due 2037, which provide for possible acceleration in the event of a change in control under certain specific circumstances coupled with ratings downgrades due to the change in control.

#### *Securitization Facilities*

We securitize certain receivables because historically the securitization of certain assets has been a source of lower cost funding compared to our other borrowings and diversifies our obligations among different markets and investors. We have been able to realize cost efficiencies under these arrangements since the assets securing the financing are generally held by a legally separate, wholly owned, bankruptcy-remote special purpose entity ("SPE") that provides investors with direct security in the assets. In the future, the cost of funding under these arrangements may increase due to the adverse conditions in the worldwide financial markets and there is no guarantee that our existing arrangements will be renewed at the current existing terms or level of funding.

In general, we sell, on a revolving nonrecourse basis, a percentage ownership interest in certain of our accounts receivable (the "Pooled Receivables"), which are short term in nature, through SPEs to third-party conduits sponsored by financial institutions. As consideration for Pooled Receivables sold through the securitization facilities, we receive cash and retained interests. The retained interests are included in *Receivables, net* on the accompanying Consolidated Balance Sheets. The retained interests may become uncollectible. In addition, we are the servicer of the receivables on behalf of the SPEs, for which we are paid a fee. The servicing fee has not been material to any period presented. The terms of the revolving securitization arrangements require that the Pooled Receivables meet certain performance ratios. At December 31, 2008 and 2007, we were in compliance with the required ratios, or have obtained the necessary waivers, under the receivable securitization programs. During 2006, we increased our total capacity under the facilities by \$500 million to \$950 million and utilized the proceeds to pay down outstanding commercial paper.

#### *Stock Repurchase Program*

For the year ended December 31, 2008, 35.1 million shares were repurchased in the open market under our \$4.0 billion stock repurchase program for an aggregate purchase of \$1.099 billion and an additional 3.6 million shares were purchased under the NAIRI Agreement with National Amusements, Inc., which was terminated in October 2008, for an aggregate purchase price of \$124 million. Since December 31, 2008, we have not purchased any shares under our stock repurchase program, but may resume purchases in the future based on a variety of factors.

#### *Off-Balance Sheet Arrangements*

Our off-balance sheet arrangements primarily consist of programming and talent commitments, operating lease arrangements, purchase obligations for goods and services and funding commitments to joint ventures.

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At December 31, 2008, our significant contractual obligations, including payments due by period, were as follows:

(in millions)	Total	2009	2010	2011	2012	2013	2014 - thereafter
<b>Off-balance Sheet Arrangements</b>							
Programming and talent commitments <sup>(1)</sup>	\$1,191	\$ 358	\$207	\$ 183	\$174	\$189	\$ 80
Operating leases <sup>(2)</sup>	\$1,169	\$ 183	\$149	\$ 140	\$134	\$126	\$ 437
Purchase obligations <sup>(3)</sup>	\$ 559	\$ 363	\$125	\$ 34	\$ 16	\$ 11	\$ 10
<b>Balance Sheet Arrangements</b>							
Capital lease obligations <sup>(4)</sup>	\$ 212	\$ 50	\$ 38	\$ 29	\$ 25	\$ 11	\$ 59
Long-term debt	\$7,884	\$ 815	\$715	\$1,531	\$ —	\$ 73	\$4,750
Interest payments	\$7,414	\$ 406	\$399	\$ 356	\$313	\$313	\$5,627
Other long-term obligations <sup>(5)</sup>	\$3,214	\$2,043	\$504	\$ 369	\$206	\$ 92	\$ —

(1) Programming and talent commitments primarily include \$989 million relating to cable programming and feature film production and acquisitions and \$202 million for talent contracts.

(2) Includes long-term non-cancelable operating lease commitments for retail and office space and equipment, transponders, studio facilities and vehicles.

(3) Purchase obligations include agreements to purchase goods or services that are enforceable and legally binding and that specify all significant terms, including open purchase orders.

(4) Includes capital leases for satellite transponders.

(5) Other long-term obligations consist of participations, residuals, programming obligations and contingent consideration for acquisitions.

Note: Not included in the amounts above are payments which may result from our unfunded defined benefit pension and other postretirement benefits of \$429 million, unrecognized tax benefits of \$462 million, including interest and penalties, \$235 million of funding commitments to joint ventures and interest payments to be made under our credit facility, which expires in 2010, and payments made under guarantees, if any. The amount and timing of payments with respect to these items are subject to a number of uncertainties such that we are unable to make sufficiently reliable estimations of future payments. We do expect to make contributions of approximately \$100 million in 2009 to our pension plans.

**MARKET RISK**

We are exposed to market risk related to foreign currency exchange rates and interest rates. We use or expect to use derivative financial instruments to modify exposure to risks from fluctuations in foreign currency exchange rates and interest rates. In accordance with our policy, we do not use derivative instruments unless there is an underlying exposure, and we do not hold or enter into financial instruments for speculative trading purposes.

**Foreign Exchange Risk**

We conduct business in various countries outside the United States, resulting in exposure to movements in foreign exchange rates when translating from the foreign local currency to the U.S. Dollar. In 2008 we recognized a foreign exchange loss of \$50 million compared to a foreign exchange gain of \$42 million in 2007, for a net unfavorable variance of \$92 million. The increase in foreign exchange losses in 2008 is primarily due to the strengthening of the U.S. Dollar against foreign currencies we operate in. In 2006, we incurred a foreign exchange gain of \$17 million.

In order to economically hedge anticipated cash flows and foreign currency balances in such currencies as the British Pound, the Australian Dollar, the Euro, the Japanese Yen, and the Canadian Dollar, foreign currency forward contracts are used. The change in fair value of the non-designated contracts is included in current period earnings as part of *Other items, net*. Additionally, from time to time we designate forward contracts to hedge future production costs as cash flow hedges or a hedge of the foreign currency exposure of a net investment in a foreign operation. We manage the use of foreign exchange derivatives centrally.

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At December 31, 2008, the notional value of all foreign exchange contracts was \$3 million which related to the hedging of future production costs. At December 31, 2007, the notional value of all foreign exchange contracts was \$127 million, of which \$26 million related to the hedging of future production costs. The remaining \$101 million represented economic hedges of underlying foreign currency balances and expected foreign currency net cash flows and investment hedges.

***Interest Rate Risk***

A portion of our interest expense is exposed to movements in short-term rates. Interest rate hedges may be used to modify this exposure. As of December 31, 2008 and 2007, there were no interest rate hedges outstanding. During 2007 and 2006, we entered into \$350 million and \$2.350 billion, respectively, notional amount of interest rate hedges to reduce the variability of cash flows attributable to changes in the benchmark interest rate of future debt issuances. We terminated these hedges during the same years resulting in net cash proceeds to us of approximately \$1 million and \$88 million, respectively.

We have variable-rate debt that had an outstanding balance of \$1.400 billion as of December 31, 2008. Based on our variable-rate obligations outstanding at December 31, 2008, a 1% increase or decrease in the level of interest rates would, respectively, increase or decrease our annual interest expense and related cash payments by approximately \$14 million. Such potential increases or decreases are based on certain simplifying assumptions, including a constant level of variable-rate debt for all maturities and an immediate, across-the-board increase or decrease in the level of interest rates with no other subsequent changes for the remainder of the period. Conversely, since most of our cash balance of \$792 million is invested in variable-rate interest earning assets, we would also earn more (less) interest income due to such an increase (decrease) in interest rates.

Viacom has issued Senior Notes and Debentures that, at December 31, 2008, had an outstanding balance of \$6.970 billion and an estimated fair value of \$5.900 billion. A 1% increase or decrease in the level of interest rates would, respectively, decrease or increase the fair value of the Senior Notes and Debentures by approximately \$328 million and \$377 million, respectively.

***Credit Risk***

We continually monitor our positions with, and credit quality of, our customers and the financial institutions which are counterparties to our financial instrument agreements. We are exposed to credit loss in the event of nonpayment by our customers and nonperformance by the counterparties to our financial instrument agreements. However, we do not anticipate nonperformance by the counterparties to our financial instrument agreements and we believe our allowance for doubtful accounts is sufficient to cover any anticipated nonpayment by our customers.

**CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

The preparation of our financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates, judgments and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. On an ongoing basis, we evaluate our estimates, which are based on historical experience and on various other assumptions that we believe are reasonable under the circumstances. The result of these evaluations forms the basis for making judgments about the carrying values of assets and liabilities and the reported amount of expenses that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions. An appreciation of our critical accounting policies, those that are considered by management to require significant judgment and use of estimates and that could have a significant impact on our financial statements, is necessary to understand our financial results. Unless otherwise noted, we applied our critical accounting policies and estimation methods consistently in all material respects and for all periods presented, and have discussed such policies with our Audit Committee.

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***Film Accounting***

***Revenue Recognition***

Revenue we earn in connection with the exhibition of feature films by our *Filmed Entertainment* segment is recognized in accordance with Statement of Position No. 00-2, *Accounting by Producers or Distributors of Films* ("SOP 00-2"). Our *Filmed Entertainment* segment principally earns revenue from the exhibition of feature film content based upon theatrical exhibition, home entertainment and various television markets (e.g., network, pay, syndication, basic cable). We recognize revenue from theatrical distribution of motion pictures upon exhibition. We recognize revenue from home entertainment product sales, net of anticipated returns, including rebates and other incentives, upon the later of delivery or the date that these products are made widely available for sale by retailers. We recognize revenue from the licensing of feature films and original programming for exhibition in television markets upon availability for airing by the licensee. We recognize revenue for video-on-demand and similar pay-per-view arrangements as the feature films are exhibited based on end-customer purchases as reported by the distributor.

***Original Production and Film Costs***

We capitalize original production, including original programming and feature film costs, on a title-specific basis, as *Inventory* in the Consolidated Balance Sheets. We use an individual-forecast-computation method to amortize the costs over the applicable title's life cycle based upon the ratio of current period and total gross revenues ("ultimate revenues") for each title. We expense print and advertising costs as they are incurred and expense manufacturing costs, such as DVD manufacturing costs, on a unit-specific basis when we recognize the related revenue.

In accordance with SOP 00-2, our estimate of ultimate revenues for feature films includes revenues from all sources that will be earned within ten years from the date of a film's initial theatrical release. For acquired film libraries, our estimate of ultimate revenues is for a period within 20 years from the date of acquisition. Prior to the release of a feature film and throughout its life, we estimate the ultimate revenues based on the historical performance of similar content, as well as incorporating factors of the content itself, including, but not limited to, the expected number of theaters and markets in which the original content will be released, the genre of the original content and the past box office performance of the lead actors and actresses. We believe the most sensitive factor affecting our estimate of ultimate revenues for feature films is domestic theatrical exhibition, as subsequent markets have historically exhibited a high correlation to domestic theatrical performance.

For original programming, each program's costs are amortized on a straight-line basis over its estimated period of use, depending on genre and historical experience, beginning with the month of initial exhibition.

The estimate of ultimate revenues impacts the timing of original production cost amortization. Upon a film's initial release we update our estimate of ultimate revenues based on expected future and actual results. If, in our judgment, we do not believe that the amount is recoverable, we may reduce our estimate of ultimate revenues, thereby accelerating the amortization of capitalized costs. In addition, we use the individual-film-forecast computation method to determine whether or not the capitalized costs are impaired. If we believe that the release of our content will not or has not been favorably received, then we would assess whether the fair value of such content is less than the unamortized portion of its capitalized costs and, if need be, recognize an impairment charge for the amount by which the unamortized capitalized costs exceed the fair value.

***Acquired Programming Rights***

The accounting for acquired program rights is addressed by the Financial Accounting Standards Board ("FASB") in Statement No. 63, *Financial Reporting by Broadcasters* ("FAS 63"). Under the provisions of FAS 63, a

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licensee reports an asset and liability for the rights acquired and obligations incurred at the commencement of the licensing period when the cost of the programming is known or reasonably determinable, the program material has been accepted by the licensee and the programming is available for airing. We record the transaction using the gross liability provision. The asset is amortized to operating expenses over the greater of straight line amortization or actual number of plays over the estimated periods revenues are generated, commencing upon availability. Determining factors used in estimating the useful life of programming includes the expected number of future airings, which may differ from the contracted number of airings, the length of the license period and expected future revenues to be generated from the programming. An impairment charge may be necessary if our estimates of future cash flows of similar programming are insufficient or if programming is abandoned.

**Revenue Recognition**

*Gross versus Net Revenue Recognition*

We earn and recognize revenues where we act as distributor on behalf of third parties. In such cases, determining whether revenue should be reported on a gross or net basis is based on management's assessment of whether we act as the principal or agent in the transaction. To the extent we act as the principal in a transaction, we report revenues on a gross basis. In concluding on whether or not we act as principal, we follow the guidance set forth by the Emerging Issues Task Force ("EITF") in EITF Issue No. 99-19, *Reporting Revenue Gross as a Principal versus Net as an Agent* ("EITF 99-19"). The determination of whether we act as a principal or an agent in a transaction involves judgment and is based on an evaluation of whether we have the substantial risks and rewards of ownership under the terms of an arrangement.

Our most significant arrangements are in connection with certain exclusive distribution rights to and home video fulfillment services for the animated feature films produced by DreamWorks Animation and the distribution agreements with Marvel, DW Funding and CBS Corporation. Under the terms of these agreements, we generally are responsible for all out-of-pocket costs, primarily comprised of distribution and marketing costs. For the provision of distribution services, we generally retain a fee based upon a percentage of gross receipts and recovers expended distribution and marketing costs on a title-by-title basis prior to any participation payments to the contracting parties of the films, except as pertains to certain contractually agreed upon advance payments. As primary obligor, revenue and related distribution and marketing costs for these arrangements are presented on a gross basis in accordance with EITF 99-19. Prior to January 1, 2008, we were not primary obligor under the distribution agreement with CBS Corporation then in effect, and therefore revenues were accounted for on a net basis.

*Multiple Element Arrangements*

The accounting for multiple element arrangements related to our video game products that include hardware, software and service components, requires significant judgment. Where a video game provides limited online features at no additional cost to the consumer, we generally consider such features to be incidental to the overall product offering and an inconsequential deliverable. Accordingly, we do not defer any revenue related to products containing these limited online features. In instances where online features or additional functionality is considered a substantive deliverable in addition to the software product, we recognize revenue ratably over an estimated service period. This evaluation is performed for each software product that is released.

The accounting for other multiple element arrangements, such as bundled advertising services, requires significant judgment. We consider revenue realized or realizable and earned when it has persuasive evidence of an arrangement, delivery has occurred, the sales price is fixed and determinable, and collectibility is reasonably assured. Determining whether some or all of these criteria have been met involves assumptions and judgments that can have a significant impact on the timing and amount of revenue we report.

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*Sales Returns, Allowances and Uncollectible Accounts*

Revenue allowances are recorded to adjust amounts originally invoiced to the estimated net realizable value in accordance with revenue recognition guidance set forth in FASB Statement No. 48, *Revenue Recognition When Right of Return Exists*. Upon the sale of home entertainment, video game and other products to wholesalers and retailers, we record a reduction of revenue for the impact of estimated customer future returns, rebates and other incentives ("estimated returns"). In determining estimated returns, we analyze historical return activity, current economic trends and changes in customer demand and acceptance of our products. Based on this information, we reserve a percentage of each dollar of product revenue when we provide a customer with the right of return.

Our estimate of future returns affects reported revenue and operating income. If we underestimate the impact of future returns in a particular period, then we may record less revenue in later periods when returns exceed the estimated amounts. If we overestimate the impact of future returns in a particular period, then we may record additional revenue in later periods when returns are less than estimated. An incremental change of 1% in our estimated sales returns for home entertainment and video game products would have a \$44 million impact on our total revenue. Our sales return allowance totaled \$829 million and \$706 million at December 31, 2008 and 2007, respectively.

We also continually evaluate accounts receivable and establish judgments as to their ultimate collectibility. Judgments and estimates involved include an analysis of specific risks on a customer-by-customer basis for larger accounts and an analysis of actual historical write-off experience in conjunction with the length of time the receivables are past due. Using this information, management reserves an amount that is estimated to be uncollectible. An incremental change of 1% in our allowance for uncollectible accounts for trade accounts receivables would have a \$24 million impact on our operating results. Our allowance for uncollectible accounts totaled \$99 million and \$102 million at December 31, 2008 and 2007, respectively.

***Provision for Income Taxes***

On January 1, 2007, we adopted Financial Accounting Standards Board (the "FASB") Interpretation No. 48, *Accounting for Uncertainty in Income Taxes—An Interpretation of FASB Statement No. 109* ("FIN 48"). See Notes 1 and 16 to our Consolidated Financial Statements.

As a global entertainment content company, we are subject to income taxes in the United States and foreign jurisdictions where we have operations. Significant judgment is required in determining our annual provision for income taxes and evaluating our income tax positions. Our tax rates are affected by many factors, including our global mix of earnings, legislation, acquisitions, dispositions, as well as the tax characteristics of our income. In determining our tax rates on a jurisdiction basis, we are required to make judgments on the need to record deferred tax assets and liabilities, including the recoverability of deferred tax assets. A valuation allowance is established if it is more likely than not that a deferred tax asset will not be realized based on our estimates of future taxable income. Additionally, in evaluating uncertain tax positions in accordance with FIN 48 we make determination of the application of complex tax rules, regulations and practices. We evaluate our uncertain tax positions quarterly based on many factors including, but not limited to, new facts, changes in tax law and information received from regulators. A change in any one of the factors could change an existing uncertain tax position, resulting in the recognition of an additional charge or tax benefit to our tax provision in the period. As such, going forward, our effective tax rate may fluctuate. Additionally, our income tax returns are routinely audited and settlements of issues raised in these audits sometimes affect our tax provisions. The resolution of audit issues and tax positions taken may take extended periods of time due to examinations by tax authorities and statutes of limitations.

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During 2008, 2007 and 2006, we effectively settled various uncertain tax positions. As a result, our 2008, 2007 and 2006 provision for income taxes includes \$55 million, \$15 million and \$142 million of net discrete tax benefits. A 1% change in our effective rate, excluding discrete items, would result in additional tax expense of approximately \$19 million in 2008.

Undistributed earnings of our foreign subsidiaries are permanently reinvested outside the United States and, therefore, no U.S. taxes have been provided thereon.

***Fair Value Measurements***

The performance of fair value measurements is an integral part of the preparation of financial statements in accordance with generally accepted accounting principles. Fair value is defined as the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants to sell or transfer such an asset or liability. Selection of the appropriate valuation technique, as well as determination of assumptions, risks and estimates used by market participants in pricing the asset or liability requires significant judgment. Although we believe that the inputs used in our valuation techniques are reasonable, a change in one or more of the inputs could result in an increase or decrease in the fair value of certain assets and certain liabilities. Either instance would have an impact on both our Consolidated Balance Sheet and Consolidated Statement of Earnings.

Provided below are those instances where the determination of fair value could have the most significant impact on our financial condition or results of operations:

*Goodwill and Indefinite-Lived Intangible Assets.* On an annual basis the test for goodwill impairment is performed using a two-step process, unless there is a triggering event, in which case a test would be performed sooner. The first step is to identify a potential impairment by comparing the fair value of a reporting unit with its carrying amount. For all periods presented, our reporting units are consistent with its operating segments, in all material respects. The estimates of fair value of a reporting unit are determined based on a discounted cash flow analysis. A discounted cash flow analysis requires us to make various judgmental assumptions, including assumptions about future cash flows, growth rates and discount rates. The assumptions about future cash flows and growth rates are based on the budget and long-term business plans of each operating segment. Discount rate assumptions are based on an assessment of the risk inherent in the future cash flows of the respective reporting units. If necessary, the second step of the goodwill impairment test compares the implied fair value of the reporting unit's goodwill with the carrying amount of that goodwill. The implied fair value of goodwill is determined in the same manner as the amount of goodwill recognized in a business combination.

Our indefinite lived intangibles are primarily related to trademarks and FCC licenses. The impairment test for these intangible assets consists of a comparison of the fair value of the intangible asset with its carrying value. The estimates of fair value of trademarks are determined using a discounted cash flow valuation methodology commonly referred to as the "relief from royalty" methodology. Significant assumptions inherent in the "relief from royalty" methodology employed include estimates of appropriate marketplace royalty rates and discount rates.

Our impairment analysis, which is performed annually during the fourth quarter did not result in an impairment charge for goodwill or indefinite lived intangible assets in the years presented.

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*Finite-Lived Intangible Assets.* In determining whether finite-lived intangible assets (e.g., customer lists, film libraries) are impaired, the accounting rules do not provide for an annual impairment test. Instead, they require that a triggering event occur before testing an asset for impairment. Once a triggering event has occurred, the impairment test employed is based on whether the intent is to hold the asset for continued use or to hold the asset for sale. If the intent is to hold the asset for continued use, first a comparison of undiscounted future cash flows against the carrying value of the asset is performed. If the carrying value exceeds the undiscounted cash flows, the asset would be written down to the discounted fair value. If the intent is to hold the asset for sale, to the extent the carrying value is greater than the asset's value, an impairment loss is recognized for the difference.

Significant judgments in this area involve determining whether a triggering event has occurred, the determination of the cash flows for the assets involved and the discount rate to be applied in determining fair value. In 2008, we recorded an impairment charge of \$32 million related to certain intangibles in connection with the restructuring and related activities. In 2007 and 2006, there was no impairment of finite-lived intangible assets.

**RECENT PRONOUNCEMENTS**

Refer to Note 3 to our Consolidated Financial Statements for a discussion of recently issued accounting standards.

**OTHER MATTERS**

**Legal Matters**

Litigation is inherently uncertain and always difficult to predict. However, based on our understanding and evaluation of the relevant facts and circumstances, we believe that the legal matters described below and other litigation to which we are a party are not likely, in the aggregate, to have a material adverse effect on our results of operations, financial position or cash flows.

In March 2007, we filed a complaint in the United States District Court for the Southern District of New York against Google Inc. ("Google") and its wholly-owned subsidiary YouTube, alleging that Google and YouTube violated and continue to violate our copyrights. We are seeking both damages and injunctive relief, and the lawsuit is currently in discovery.

In September 2007, *Brantley, et al. v. NBC Universal, Inc., et al.*, was filed in the United States District Court for the Central District of California against us and several other program content providers on behalf of a purported nationwide class of cable and satellite subscribers. The plaintiffs also sued several major cable and satellite program distributors. Plaintiffs allege that separate contracts between the program providers and the cable and satellite operator defendants providing for the sale of programming in specific tiers each unreasonably restrain trade in a variety of markets in violation of the Sherman Act. In March 2008, the court granted the defendants' motion to dismiss the plaintiffs' First Amended Complaint. The plaintiffs subsequently filed a Second Amended Complaint seeking, among other things, treble monetary damages in an unspecified amount and an injunction to compel the offering of channels on an "à la carte" basis. In September 2008, the defendants' motion to dismiss the Second Amended Complaint was denied. The defendants' appeal of that ruling was also denied and the lawsuit is now in discovery. We believe the plaintiffs' position in this litigation is without merit and intend to continue to vigorously defend this lawsuit.

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*Concluded Litigation*

Former Viacom and NAI, and certain of their respective present and former officers and directors, were defendants in a state law action in the Court of Chancery of Delaware relating to the 2004 split-off of Blockbuster from Former Viacom pursuant to an exchange offer. The plaintiff's complaint in the Delaware action was dismissed in February 2008 and its appeal was argued before the Supreme Court of Delaware, which affirmed the dismissal in January 2009. Two other lawsuits arising from the same facts as the Delaware action were dismissed in 2007 and 2008.

**Related Parties**

NAI, through NAIRI, Inc., is the controlling stockholder of both Viacom and CBS Corporation. NAI also held a controlling interest in Midway Games, Inc. ("Midway") until November 28, 2008. Sumner M. Redstone, Chairman, Chief Executive Officer and controlling shareholder of NAI, is the Executive Chairman of the Board and Founder of Viacom and CBS Corporation. In addition, Shari Redstone, who is Sumner Redstone's daughter, is the President of NAI and the Vice Chair of the Board of Viacom and CBS Corporation. Philippe Dauman, our President and Chief Executive Officer, and George Abrams, one of our directors, serve on the boards of both NAI and Viacom. Fred Salerno, one of our directors, serves on the boards of both Viacom and CBS Corporation. See the "Risk Factors" section for additional information on our relationship with NAI.

NAI licenses films in the ordinary course of business for its motion picture theaters from all major studios including Paramount. During the years ended December 31, 2008, 2007 and 2006, Paramount earned revenues from NAI in connection with these licenses in the aggregate amounts of approximately \$36 million, \$36 million and \$14 million, respectively.

In connection with our stock repurchase programs, in 2008 and 2007, respectively, we purchased 3.6 million and 6.0 million shares under the NAIRI Agreement for aggregate purchase prices of \$124 million and \$246 million, respectively.

For information on NAI's participation in our stock repurchase program, see the section entitled *Capital Resources—Stock Repurchase Program*.

*Viacom and CBS Corporation Related Party Transactions*

We, in the normal course of business, are involved in transactions with CBS Corporation and its various businesses ("CBS") that result in the recognition of revenue and expense by Viacom. Transactions with CBS, through the normal course of business, are settled in cash.

Paramount distributes certain television products into the home entertainment market on behalf of CBS. Effective January 1, 2008, Viacom entered into a new distribution agreement with CBS under which revenue and expenses are recorded on a gross basis. Under the terms of the agreement, Paramount is entitled to retain a fee based on a percentage of gross receipts and is generally responsible for all out-of-pocket costs which are recoupable, together with the annual advance due to CBS, prior to any participation payments to CBS. In connection with this agreement, Paramount made initial payments of \$100 million to CBS during each of the first quarters of 2008 and 2009. Paramount also leases studio space to CBS and licensed motion picture products to CBS that were released by us through December 31, 2007. Additionally, the *Media Networks* segment recognizes advertising revenues from CBS.

The *Media Networks* segment purchases television programming from CBS. The cost of such purchases is initially recorded as acquired program rights inventory and amortized over the estimated period that revenues will be generated. Both of our segments also place advertisements with CBS.

**Management's Discussion and Analysis  
of Results of Operations and Financial Condition  
(continued)**

The following table summarizes the transactions with CBS as included in our consolidated financial statements:

(in millions)	Year Ended December 31,		
	2008	2007	2006
<b>Consolidated Statements of Earnings</b>			
Revenues	\$506	\$244	\$257
Operating expenses	\$561	\$185	\$167
Discontinued operations	\$ —	\$ (5)	\$ (3)
<b>Consolidated Balance Sheets</b>			
<b>December 31,</b>			
	<b>2008</b>	<b>2007</b>	
<b>Consolidated Balance Sheets</b>			
Accounts receivable	\$ 61	\$ 87	
Other assets	16	22	
Total due from CBS Corporation	\$ 77	\$109	
Accounts payable	\$ 6	\$ 3	
Participants' share, residuals and royalties payable	160	177	
Programming rights, current	156	98	
Other liabilities	255	177	
Total due to CBS Corporation	\$577	\$455	

Special Dividend to Former Viacom

In accordance with the terms of the Separation Agreement, in December 2005 we paid a preliminary special dividend to Former Viacom of \$5.400 billion which was subject to adjustment. In 2006 and 2007, we made further payments of \$206 million and \$170 million, respectively, to CBS Corporation in final resolution of the adjustments.

401(k) Plan Transactions

Following the separation, some participants in the Viacom 401(k) Plan continued to be invested in CBS Corporation Class A and Class B common stock. In 2007, CBS Corporation purchased the shares of CBS Corporation Class A and Class B common stock from the Viacom 401(k) Plan for total proceeds of \$30 million.

Similarly, some participants in the 401(k) plans sponsored by CBS Corporation continued to be invested in Viacom Class A and Class B common stock following the separation. In 2007, we purchased the shares of Viacom Class A and Class B common stock from the CBS-sponsored 401(k) plans for an aggregate amount of \$120 million.

Separation Agreement with CBS Corporation

In connection with the separation, each share of Former Viacom Class A common stock was converted into the right to receive 0.5 of a share of Viacom Class A common stock and 0.5 of a share of CBS Corporation Class A common stock. Similarly, each share of Former Viacom Class B common stock was converted into the right to receive 0.5 of a share of Viacom Class B common stock and 0.5 of a share of CBS Corporation Class B common stock. Holders of Viacom Class A and Class B common stock received cash in lieu of fractional shares.

**Management's Discussion and Analysis  
of Results of Operations and Financial Condition  
(continued)**

In connection with the separation, we and CBS Corporation entered into the Separation Agreement as well as certain other agreements to govern the terms of the separation and certain of the ongoing relationships between CBS Corporation and us after the separation. These agreements include a Transition Services Agreement and a Tax Matters Agreement. These related party arrangements are more fully described below.

The Separation Agreement contains the key provisions required to effect the separation of Former Viacom into Viacom and CBS Corporation. The Separation Agreement identified assets transferred, liabilities assumed and contracts assigned to us by CBS Corporation and to CBS Corporation by us in the separation, and described when and how these transfers, assumptions and assignments were to occur. The Separation Agreement also sets forth certain agreements between us and CBS Corporation with respect to the period following the separation date. Former Viacom and Viacom executed the Separation Agreement in December 2005.

Indemnification Obligations. Pursuant to the Separation Agreement, each company indemnified the other company and the other company's officers, directors and employees for any losses arising out of its failure to perform or discharge any of the liabilities it assumed pursuant to the Separation Agreement, its businesses as conducted as of the date of the separation and its breaches of shared contracts.

Legal Matters. In general, under the Separation Agreement, Viacom assumed the liability for, and control of, all pending and threatened legal matters related to its own business or assumed liabilities and will indemnify the other party for any liability arising out of or resulting from such assumed legal matters. Liability for, and control of, future litigation claims against Viacom for events that took place prior to, on or after the date of the separation generally will be assumed by the company operating the business to which the claim relates or, in the case of businesses which were sold or discontinued prior to the date of the separation, or for other matters agreed to be indemnified, the company which has assumed the liabilities. Viacom agreed to cooperate in defending any claims against both of Viacom and CBS Corporation for events that took place prior to, on, or after the date of the separation.

Employee Matters. The Separation Agreement allocated liabilities and responsibilities relating to employee compensation and benefit plans and programs and other related matters in connection with the separation, including the treatment of certain outstanding annual and long-term incentive awards, existing deferred compensation obligations and certain retirement and welfare benefit obligations. In general, the Separation Agreement provides that, following the separation, Viacom is responsible for all employment and benefit-related obligations and liabilities related to current employees who work for Viacom immediately following the separation, Former Viacom employees who most recently worked for other businesses and operations that became part of Viacom immediately following the separation, Former Viacom employees who most recently worked for certain other businesses and operations that were sold or discontinued prior to the separation, and certain other former employees of Former Viacom as set forth in the Separation Agreement (and, in each case, their dependents and beneficiaries). Liability for benefit-related obligations and liabilities of former employees of Former Viacom who most recently worked for the Former Viacom corporate office or the Paramount Pictures corporate office (other than those who accepted a post-separation position with CBS Corporation or Viacom) and certain corporate office employees who will remain employed by CBS Corporation and provide transition services following the separation is shared equally by Viacom and CBS Corporation.

Effective as of the separation, employees of Viacom, other than overlapping employees, do not participate in Former Viacom's employee benefit plans and Viacom established its own employee benefit plans that are substantially similar to the plans sponsored by Former Viacom prior to the separation. The Separation Agreement provided for the transfer of assets and liabilities, as applicable, relating to the pre-separation participation of

**Management's Discussion and Analysis  
of Results of Operations and Financial Condition  
(continued)**

Viacom employees and certain Former Viacom employees (as set forth in the Separation Agreement) in various Former Viacom retirement, welfare, incentive compensation and employee benefit plans from such plans to the applicable new plans established by Viacom.

Limitations on Certain Acquisitions. Subject to limited exceptions, the Separation Agreement provides that none of Viacom, any subsidiary of Viacom or any person that is controlled by Viacom after the separation will own or acquire an interest in a radio or television broadcast station, television broadcast network or daily newspaper, if such ownership or acquisition would (i) cause CBS Corporation, any subsidiary of CBS Corporation or any entity controlled by CBS Corporation after the date of the separation to be in violation of U.S. federal laws limiting the ownership or control of radio broadcast stations, television broadcast stations, television broadcast networks or (ii) limit in any manner at any time under such laws CBS Corporation's ability to acquire additional interests in a radio or television broadcast station and/or television broadcast network. These restrictions will terminate when none of Mr. Redstone, NAI, NAIRI or any of their successors, assigns or transferees are deemed to have interests in both CBS Corporation and Viacom that are attributable under applicable U.S. federal laws.

The Separation Agreement also provides that neither Viacom, any subsidiary of Viacom or any person controlled by Viacom nor CBS Corporation, any subsidiary of CBS Corporation or any person controlled by CBS Corporation will acquire any asset, enter into any agreement or accept or agree to any condition that purports to bind, or subjects to a legal order, the other company, its subsidiaries or any person it controls without such other party's written consent.

In addition, neither Viacom, any subsidiary of Viacom or any person controlled by Viacom nor CBS Corporation, or subsidiary of CBS Corporation or any person controlled by CBS Corporation will own or acquire an interest in a cable television operator if such ownership would subject the other company to any U.S. federal laws regulating contractual relationships between video programming vendors and video programming distributors to which it is not then subject. These restrictions will terminate for each company on the earliest of (i) the fourth anniversary of the separation, or 12/31/09, (2) the date on which none of Mr. Redstone, NAI, NAIRI or any of their successors, assigns or transferees are deemed to have interests in both CBS Corporation and Viacom that are attributable under applicable U.S. federal laws and (3) the date on which the other company ceases to own the video programming vendors that it owns as of the separation.

*Tax Matters Agreement with CBS Corporation*

The following description of the principal provisions of the Tax Matters Agreement between Former Viacom and us is qualified by reference to the text of the Tax Matters Agreement, a form of which was filed as an exhibit to this annual report.

The Tax Matters Agreement sets forth Viacom's responsibilities with respect to, among other things, liabilities for federal, state, local and foreign income taxes for periods before and including the merger, the preparation and filing of income tax returns for such periods, disputes with taxing authorities regarding income taxes for such periods and indemnification for income taxes that would become due if the merger were taxable. Viacom will generally be responsible for federal, state and local, and foreign income taxes for periods before the merger relating to Viacom's respective businesses. Income tax liabilities relating to discontinued operations and previously disposed businesses have been allocated in accordance with the principles applicable under the Separation Agreement for liabilities relating to those operations and businesses. Other income tax liabilities, including items that do not specifically relate to either business, will be shared equally. Viacom and CBS Corporation will generally be jointly responsible for managing any dispute relating to income taxes for which both parties may be responsible. The Tax Matters Agreement also provides that, depending on the event, Viacom may have to indemnify CBS Corporation, or CBS Corporation may have to indemnify Viacom, for some or all of

**Management's Discussion and Analysis  
of Results of Operations and Financial Condition  
(continued)**

the taxes resulting from the transactions related to the merger and the distribution of Viacom common stock if the merger and distribution do not qualify as tax-free under Sections 355 and 368 of the Code.

*Other Related Party Transactions*

In the normal course of business, we are involved in related party transactions with equity investees, principally related to investments in unconsolidated variable interest entities as more fully described in Note 5 to our Consolidated Financial Statements. These related party transactions principally relate to the provision of advertising services, licensing of film and programming content and the distribution of films for which the impact on our Consolidated Financial Statements is as follows:

(in millions)	<u>Year Ended December 31,</u>		
	<u>2008</u>	<u>2007</u>	<u>2006</u>
<b>Consolidated Statements of Earnings</b>			
Revenues	<b>\$408</b>	\$484	\$398
Operating expenses	<b>\$249</b>	\$393	\$280
<b>December 31,</b>			
<u>2008</u> <u>2007</u>			
<b>Consolidated Balance Sheets</b>			
Accounts receivable	<b>\$ 88</b>	\$ 39	
Accounts payable	<b>\$ 25</b>	\$ 18	
Participants' share, residuals and royalties payable	<b>58</b>	96	
Other liabilities	<b>55</b>	54	
Long-term debt	<b>136</b>	170	
Total due to other related parties	<b><u>\$274</u></b>	<u>\$338</u>	

All other related party transactions, including with Midway, are not material in the periods presented.

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### **Item 7A. Quantitative and Qualitative Disclosures about Market Risk.**

Disclosures on our market risk are included in “Management’s Discussion and Analysis of Results of Operations and Financial Condition—Market Risk.”

### **Item 8. Financial Statements and Supplementary Data.**

Index to financial statements and supplementary data:

<a href="#">Management’s Report on Internal Control Over Financial Reporting</a>	80
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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors and Stockholders of Viacom Inc.

In our opinion, the consolidated financial statements listed in the index appearing under Item 8 present fairly, in all material respects, the financial position of Viacom Inc. and its subsidiaries (the “Company”) at December 31, 2008 and 2007, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2008 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the index appearing under Item 8 presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2008, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company’s management is responsible for these financial statements and financial statement schedules, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management’s Report on Internal Control over Financial Reporting appearing under Item 8. Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company’s internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

As discussed in Note 1 to the consolidated financial statements, during the year ended December 31, 2007, the Company changed the manner in which it accounts for uncertain tax positions. Additionally, as also discussed in Note 1, as of December 31, 2006, the Company changed the manner in which it accounts for defined benefit pension and other postretirement plans.

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP

New York, New York

February 11, 2009

**VIACOM INC.**  
**CONSOLIDATED STATEMENTS OF EARNINGS**

(in millions, except earnings per share amounts)	Year Ended December 31,		
	2008	2007	2006
Revenues	<b>\$14,625</b>	\$13,423	\$11,361
Expenses:			
Operating	<b>8,787</b>	7,431	5,963
Selling, general and administrative	<b>2,910</b>	2,663	2,266
Depreciation and amortization	<b>405</b>	393	365
Total expenses	<b>12,102</b>	10,487	8,594
Operating income	<b>2,523</b>	2,936	2,767
Interest expense, net	<b>(482)</b>	(464)	(442)
Gain on sale of equity investment	<b>—</b>	151	—
Equity in (losses) earnings of investee companies	<b>(74)</b>	—	10
Other items, net	<b>(112)</b>	(43)	(14)
Earnings from continuing operations	<b>1,855</b>	2,580	2,321
Provision for income taxes	<b>(605)</b>	(929)	(740)
Minority interest, net of tax	<b>(17)</b>	(21)	(14)
Net earnings from continuing operations	<b>1,233</b>	1,630	1,567
Discontinued operations, net of tax	<b>18</b>	208	25
Net earnings	<b>\$ 1,251</b>	<b>\$ 1,838</b>	<b>\$ 1,592</b>
Basic earnings per common share:			
Earnings per share, continuing operations	<b>\$ 1.97</b>	\$ 2.42	\$ 2.19
Earnings per share, discontinued operations	<b>\$ 0.03</b>	\$ 0.31	\$ 0.04
Net earnings per share	<b>\$ 2.00</b>	\$ 2.73	\$ 2.23
Diluted earnings per common share:			
Earnings per share, continuing operations	<b>\$ 1.97</b>	\$ 2.41	\$ 2.19
Earnings per share, discontinued operations	<b>\$ 0.03</b>	\$ 0.31	\$ 0.03
Net earnings per share	<b>\$ 2.00</b>	\$ 2.72	\$ 2.22
Weighted average number of common shares outstanding:			
Basic	<b>624.7</b>	674.1	715.2
Diluted	<b>625.4</b>	675.6	716.2

*See accompanying notes to consolidated financial statements.*

**VIACOM INC.**  
**CONSOLIDATED BALANCE SHEETS**

(in millions, except par value)	December 31,	
	2008	2007
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 792	\$ 920
Receivables, net (includes retained interests in securitizations – see Note 10)	2,271	2,617
Inventory, net	881	727
Deferred tax assets, net	203	248
Prepaid and other assets	355	321
Total current assets	4,502	4,833
Property and equipment, net	1,145	1,196
Inventory, net	4,133	4,108
Goodwill	11,470	11,375
Intangibles, net	674	684
Other assets	563	708
Total assets	\$22,487	\$22,904
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 574	\$ 497
Accrued expenses	1,304	1,563
Participants' share and residuals	1,537	1,545
Program rights obligations	384	370
Deferred revenue	442	406
Current portion of long-term debt	105	187
Other liabilities	496	705
Total current liabilities	4,842	5,273
Long-term debt	7,897	8,059
Participants' share and residuals	488	285
Program rights obligations	621	533
Deferred tax liabilities, net	12	105
Other liabilities	1,556	1,501
Minority interests	38	37
Commitments and contingencies (Note 18)		
Stockholders' equity:		
Class A Common Stock, par value \$0.001, 375.0 authorized; 57.4 and 57.4 outstanding, respectively	—	—
Class B Common Stock, par value \$0.001, 5,000.0 authorized; 549.4 and 587.4 outstanding, respectively	1	1
Additional paid-in capital	8,186	8,079
Treasury stock	(5,725)	(4,502)
Retained earnings	4,658	3,407
Accumulated other comprehensive (loss) income	(87)	126
Total stockholders' equity	7,033	7,111
Total liabilities and stockholders' equity	\$22,487	\$22,904

*See accompanying notes to consolidated financial statements.*

**VIACOM INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(in millions)	Year Ended December 31,		
	2008	2007	2006
<b>OPERATING ACTIVITIES</b>			
Net earnings	\$ 1,251	\$ 1,838	\$ 1,592
Discontinued operations, net of tax	(18)	(208)	(25)
Net earnings from continuing operations	1,233	1,630	1,567
Reconciling items:			
Depreciation and amortization	405	393	365
Feature film and program amortization	4,808	3,747	2,725
Securitization facilities	—	—	500
Stock-based compensation	99	86	80
Gain on sale of equity investment	—	(151)	—
Equity in investee companies and minority interest, net of distributions	120	47	31
Provision for deferred taxes	14	33	153
Operating assets and liabilities, net of acquisitions:			
Receivables	279	(329)	(78)
Inventory, program rights and participations	(4,731)	(3,809)	(2,789)
Accounts payable and other current liabilities	(278)	(36)	(406)
Other, net	74	156	94
Discontinued operations, net	13	9	28
Cash provided by operations	<u>2,036</u>	<u>1,776</u>	<u>2,270</u>
<b>INVESTING ACTIVITIES</b>			
Net cash used in business combinations	(225)	(15)	(1,416)
Business dispositions	—	194	701
Capital expenditures	(288)	(237)	(209)
Investments in and advances to equity affiliates and other, net	(71)	(55)	(8)
Discontinued operations, net	13	361	(1)
Net cash flow (used in)/provided by investing activities	<u>(571)</u>	<u>248</u>	<u>(933)</u>
<b>FINANCING ACTIVITIES</b>			
Borrowings from banks	2,845	750	2,911
Repayments to banks	(2,945)	—	(8,316)
Senior notes and debentures, net of discount	—	745	6,163
Commercial paper	(56)	(1,038)	1,094
Payment of other financing obligations	(124)	(81)	(718)
Proceeds from cash flow hedge	—	1	88
Special dividend to Former Viacom	—	(170)	(206)
Net receipts with CBS Corporation	—	—	254
Purchase of treasury stock	(1,266)	(2,134)	(2,318)
Exercise of stock options and other, net	(9)	96	35
Net cash flow used in financing activities	<u>(1,555)</u>	<u>(1,831)</u>	<u>(1,013)</u>
Effect of exchange rate changes on cash and cash equivalents	(38)	21	21
Net change in cash and cash equivalents	(128)	214	345
Cash and cash equivalents at beginning of period	920	706	361
Cash and cash equivalents at end of period	<u>\$ 792</u>	<u>\$ 920</u>	<u>\$ 706</u>

*See accompanying notes to consolidated financial statements.*

**VIACOM INC.**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
**AND COMPREHENSIVE INCOME**

(in millions)	Common Stock Issued (shares)	Common Stock/ Additional Paid-in Capital	Common Stock Held in Treasury (shares)	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Total
<b>Balance at December 31, 2005<sup>(1)</sup></b>	751.6	\$7,838	—	\$ —	\$ —	\$ (50)	\$ 7,788
Net earnings	—	—	—	—	1,592	—	1,592
Translation adjustments	—	—	—	—	—	72	72
Unrealized gain on securities	—	—	—	—	—	1	1
Cash flow hedges	—	—	—	—	—	50	50
Minimum pension adjustment	—	—	—	—	—	12	12
Comprehensive income							1,727
Compensation expense	—	87	—	—	—	—	87
Exercise of stock options, and other	1.9	45	—	—	—	—	45
Purchase of treasury stock	—	—	(60.3)	(2,345)	—	—	(2,345)
Adoption of FAS 158	—	—	—	—	—	(39)	(39)
Special dividend to Former Viacom	—	(376)	—	—	—	—	(376)
Net contributions to CBS Corporation	—	274	—	—	—	—	274
Adoption of SAB No. 108	—	5	—	—	—	—	5
<b>Balance at December 31, 2006</b>	<u>753.5</u>	<u>7,873</u>	<u>(60.3)</u>	<u>(2,345)</u>	<u>1,592</u>	<u>46</u>	<u>7,166</u>
Net earnings	—	—	—	—	1,838	—	1,838
Translation adjustments	—	—	—	—	—	69	69
Unrealized loss on securities	—	—	—	—	—	(3)	(3)
Cash flow hedges	—	—	—	—	—	(2)	(2)
Defined benefit pension plans	—	—	—	—	—	16	16
Comprehensive income							1,918
Compensation expense	—	97	—	—	—	—	97
Exercise of stock options, and other	4.1	110	—	—	—	—	110
Purchase of treasury stock	—	—	(52.5)	(2,157)	—	—	(2,157)
Adoption of FIN 48	—	—	—	—	(23)	—	(23)
<b>Balance at December 31, 2007</b>	<u>757.6</u>	<u>8,080</u>	<u>(112.8)</u>	<u>(4,502)</u>	<u>3,407</u>	<u>126</u>	<u>7,111</u>
Net earnings	—	—	—	—	1,251	—	1,251
Translation adjustments	—	—	—	—	—	(90)	(90)
Cash flow hedges	—	—	—	—	—	(4)	(4)
Defined benefit pension plans	—	—	—	—	—	(119)	(119)
Comprehensive income							1,038
Compensation expense	—	113	—	—	—	—	113
Exercise of stock options, and other	0.7	(6)	—	—	—	—	(6)
Purchase of treasury stock	—	—	(38.7)	(1,223)	—	—	(1,223)
<b>Balance at December 31, 2008</b>	<u>758.3</u>	<u>\$8,187</u>	<u>(151.5)</u>	<u>\$(5,725)</u>	<u>\$4,658</u>	<u>\$ (87)</u>	<u>\$ 7,033</u>

(1) In connection with the separation from CBS Corporation, the Company issued 65.7 million shares of Class A common stock with par value of \$0.001 and 685.9 million shares of Class B common stock with par value of \$0.001. Stockholders' equity amounts prior to separation were classified as Invested Capital.

*See accompanying notes to consolidated financial statements.*

**VIACOM INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 1. DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION**

***Description of Business***

Viacom Inc. including its consolidated subsidiaries (“Viacom” or the “Company”) is a leading global entertainment content company. Viacom engages audiences on television, motion picture, Internet, mobile and video game platforms through many of the world’s best known entertainment brands. Viacom operates through two reporting segments: *Media Networks*, which includes MTV Networks (“MTVN”) and BET Networks (“BETN”); and *Filmed Entertainment*. The *Media Networks* segment provides entertainment content for consumers in key demographics attractive to advertisers, distributors and retailers. The *Filmed Entertainment* segment produces, finances and distributes motion pictures under the Paramount Pictures, Paramount Vantage, Paramount Classics, MTV Films and Nickelodeon Movies brands. The *Filmed Entertainment* segment will also continue to release a number of pictures under the DreamWorks brand. It also acquires films for distribution and has distribution relationships with DreamWorks Animation and Marvel.

***Basis of Presentation***

*Accounting Changes*

*Interpretation No. 48, Accounting for Uncertainty in Income Taxes*

In July 2006, the Financial Accounting Standards Board (“FASB”) released Interpretation No. 48, *Accounting for Uncertainty in Income Taxes—An Interpretation of FASB Statement No. 109* (“FIN 48”). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in the Company’s financial statements in accordance with FASB Statement No. 109, *Accounting for Income Taxes*. FIN 48 also prescribes a recognition threshold and measurement model for the financial statement recognition and measurement of a tax position taken, or expected to be taken, in a tax return and provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

The Company adopted the provisions of FIN 48 on January 1, 2007. As a result of the implementation, the Company recognized a \$9 million increase in unrecognized income tax benefits, primarily related to state income tax matters, along with \$14 million of related potential interest and penalties. The items were recorded as *Other liabilities—noncurrent* with a corresponding reduction to *Retained earnings*.

*Staff Accounting Bulletin No. 108*

In September 2006, the Securities and Exchange Commission (“SEC”) staff issued Staff Accounting Bulletin No. 108, *Considering the Effect of Prior Year Misstatement when Quantifying Misstatements in Current Year Financial Statements* (“SAB 108”). Prior to the Company’s application of the guidance in SAB 108, the Company used the roll-over method for quantifying financial statement misstatements. The roll-over method focuses primarily on the impact of a misstatement on the income statement, including the reversing effect of any prior year misstatements.

**VIACOM INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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SAB 108 permits companies to initially apply its provisions either by (i) restating prior financial statements as if the provisions had always been applied or (ii) recording the cumulative effect of initially applying SAB 108 as adjustments to the carrying value of assets and liabilities as of January 1, 2006 with an offsetting adjustment recorded to the opening balance of *Stockholders' equity*. The Company elected to record the effects of applying SAB 108 using the cumulative effect transition method. The following table summarizes the effects up to January 1, 2006 of applying the guidance in SAB 108:

(in millions)	Adjustment at January 1, 2006	Origination Period of Misstatement <sup>(1)</sup>		2003 and Prior
		Year ended December 31,		
		2005	2004	
Media Networks <sup>(2)</sup>	\$ 32	\$(16)	\$ (2)	\$ 50
Filmed Entertainment <sup>(3)</sup>	(59)	(11)	(21)	(27)
(Increase)/decrease in operating income	(27)	(27)	(23)	23
Provision for income taxes	22	10	9	3
(Increase)/decrease in net earnings	\$ —	\$(17)	\$(14)	\$ 26
Increase to stockholders' equity	\$ (5)			

- (1) The Company quantified these errors under the roll-over method and concluded that they were immaterial, individually and in the aggregate.
- (2) The adjustment for *Media Networks* is in respect of ratings guarantees provided to advertisers on the Company's *Media Networks* and amounts accrued for marketing cost in excess of actual cost incurred. Prior to 2006, the Company's policy was to record a liability for amounts due to advertisers only for amounts in excess of a *de minimis* threshold. The cumulative pre-tax impact for this item is the correction of a \$48 million overstatement of revenue and a corresponding understatement of deferred revenue. Partially offsetting the operating impact of the revenue adjustment described above is the correction of a \$16 million cumulative overstatement of operating expenses and a corresponding overstatement of accrued marketing expenses.
- (3) The *Filmed Entertainment* pre-tax adjustment represents amounts accrued for marketing and manufacturing costs in excess of actual costs incurred. The cumulative impact of the adjustment was a correction of an overstatement of operating expenses of \$59 million with a corresponding overstatement of accrued marketing expenses of \$33 million and a \$26 million understatement of inventory for product previously sold.

*Statement No. 158*

In September 2006, the FASB issued Statement No. 158, *Employers Accounting for Defined Benefit Pension and Other Postretirement Plans—an amendment of FASB Statements No. 87, 88, 106 and 132(R)* ("FAS 158"), effective December 31, 2006. FAS 158 requires the recognition of the funded status of a defined benefit postretirement plan (other than a multiemployer plan) as an asset or liability in the financial position and to recognize changes in that funded status in the year in which the changes occur through other comprehensive income. Upon adoption, the Company recorded a pre-tax reduction to *Accumulated other comprehensive (loss) income* of \$64 million (\$39 million after tax) representing the difference between the funded status of the plans based on the projected benefit obligation and the amounts recorded on the Company's Consolidated Balance Sheet as of December 31, 2006. For additional information regarding the adoption of FAS 158, please refer to Note 14.

*Discontinued Operations*

Components of the Company are assessed for discontinued operation classification when they have been disposed of or are held for sale in accordance with FASB Statement No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. In July 2007, the Company completed the sale of Famous Music. *Discontinued operations, net of tax*, in 2008 principally reflects settlement adjustments arising from businesses previously sold.

**VIACOM INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

*Separation from Former Viacom*

On December 31, 2005, the Company became a stand-alone public entity in connection with the separation from the former Viacom Inc. (“Former Viacom”), which is now known as CBS Corporation. References in these financial statements to CBS Corporation mean CBS Corporation and its consolidated subsidiaries, unless the context requires otherwise. Prior to the separation, the Company was a wholly-owned subsidiary of Former Viacom, with its business generally comprising the “Cable Networks” and “Entertainment” segments of Former Viacom. In connection with the merger and the separation, each share of Former Viacom Class A common stock was converted into the right to receive 0.5 of a share of Viacom Class A common stock and 0.5 of a share of CBS Corporation Class A common stock. Similarly, each share of Former Viacom Class B common stock was converted into the right to receive 0.5 of a share of Viacom Class B common stock and 0.5 of a share of CBS Corporation Class B common stock. Holders of Viacom Class A and Class B common stock received cash in lieu of fractional shares.

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Principles of Consolidation*

The consolidated financial statements of the Company include the accounts of Viacom Inc., its subsidiaries and variable interest entities (VIEs), as defined in FASB Interpretation (“FIN”) No. 46 (as revised), *Variable Interest Entities* (“FIN 46(R)”), where the Company is considered the primary beneficiary, after elimination of intercompany accounts and transactions. Disclosure regarding the Company’s participation in VIEs is included in Note 5. Investments in business entities in which the Company lacks control but does have the ability to exercise significant influence over operating and financial policies are accounted for using the equity method. The Company’s proportionate share of net income or loss of the entity is recorded in *Equity in (losses) earnings of investee companies*. Related party transactions between the Company and CBS Corporation, National Amusements Inc., (“NAI”) and Midway Games, Inc. (“Midway”) have not been eliminated.

*Revenue Recognition*

The Company recognizes revenue when it is realized or realizable and earned. The Company considers revenue realized or realizable and earned when it has persuasive evidence of an arrangement, delivery has occurred, the sales price is fixed and determinable, and collectibility is reasonably assured. Determining whether some or all of these criteria have been met involves assumptions and judgments, including the evaluation of multiple element arrangements that can have a significant impact on the timing and amount of revenue the Company reports.

Advertising Revenues

Advertising revenue earned by the *Media Networks* segment is recognized, net of agency commissions, when the advertisement is aired and the contracted audience rating is met. Should the advertisement fail to meet the contracted audience rating, the Company establishes a liability referred to as an audience deficiency unit liability. The liability is typically relieved when the audience rating is met, typically through the provision of additional air time for the advertiser.

Feature Film Revenues

Revenue in connection with the exhibition of feature films by the *Filmed Entertainment* segment is accounted for in accordance with Statement of Position (“SOP”) No. 00-2, *Accounting by Producers or Distributors of Films* (“SOP 00-2”). Revenue is recognized from theatrical distribution of motion pictures upon exhibition. For home entertainment product revenue, including sales to wholesalers and retailers, revenue is recognized on the later of the shipment or the date that those products are made widely available for sale by retailers. Revenue from the licensing of feature films and original programming for exhibition in television markets is recognized upon availability for telecasting by the licensee. Revenue for video-on-demand and similar pay-per-view arrangements are recognized as the feature films are exhibited based on end-customer purchases as reported by the distributor.

**VIACOM INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

Affiliate Fees

Affiliate fees are recognized by the *Media Networks* segment as the service is provided to cable television operators, direct-to-home satellite operators and other distributors.

Ancillary Revenues

Video game product revenues are evaluated under SOP 97-2, *Software Revenue Recognition*. Where a video game provides limited online features at no additional cost to the consumer, the Company generally considers such features to be incidental to the overall product offering and an inconsequential deliverable. Accordingly, the Company does not defer any revenue related to products containing these limited online features. In instances where online features or additional functionality is considered a substantive deliverable in addition to the software product, the Company recognizes revenue ratably over an estimated service period. This evaluation is performed for each software product that is released.

Licensing associated with consumer products is typically recognized utilizing contractual royalty rates applied to sales amounts reported by licensees. Revenue for online transactions, such as electronic downloads of films, programming or product add-ons is recognized when the fee is paid by the online customer to purchase the content, the Company is notified by the online retailer that the product has been downloaded and all other revenue recognition criteria are met. Ancillary online subscription revenues are generally recognized on a straight-line basis over the service period.

Sales Returns & Allowances

The Company records a provision for sales returns and allowances, including price protection incentives, at the time of sale based upon an estimate of future returns of product by analyzing a combination of historical returns, current economic trends, projections of consumer demand for the product and point-of-sale data available from certain retailers.

Inventory

Inventories related to theatrical and cable content (which include direct production costs, production overhead, acquisition costs and theatrical development costs) are stated at the lower of amortized cost or net realizable value. Inventories are amortized and estimated liabilities for residuals and participations are accrued for an individual product based on the proportion that current estimated revenues bear to the estimated remaining total lifetime revenues. These estimates are periodically reviewed and adjustments, if any, will result in changes to inventory amortization rates, estimated accruals for residuals and participations or possibly the recognition of an impairment charge to operating income. The Company has entered into film financing arrangements that involve the sale of a partial copyright interest in a film. Amounts received under these arrangements are deducted from the film's cost.

The cost of theatrical development projects is amortized over a three-year period unless they are abandoned earlier, in which case these projects are written down to their estimated net realizable value in the period the decision to abandon the project is determined. The Company has a rigorous greenlight process designed to manage the risk of loss or abandonment. Programming development costs are expensed unless a project is greenlit for production.

The Company acquires rights to programming and produces programming to exhibit on its media networks which is also included as a component of *Inventory, net*. The costs incurred in acquiring and producing programs are capitalized and amortized over the license period or projected useful life of the programming. Program rights and related costs and obligations are recorded when the license period has begun, and when the program is accepted and available for airing.

**VIACOM INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

Merchandising and other inventories are valued at the lower of cost or market value. Cost is determined using the average cost method. Obsolescence reserves are based on estimates of future product demand.

*Gross versus Net Revenue Recognition*

The Company earns and recognizes revenues as a distributor on behalf of third parties. In such cases, determining whether revenue should be reported on a gross or net basis is based on management's assessment of whether the Company acts as the principal or agent in the transaction. To the extent the Company acts as the principal in a transaction, revenues are reported on a gross basis. In concluding on whether or not the Company acts as principal, the guidance set forth by the Emerging Issues Task Force ("EITF") in EITF Issue No. 99-19, *Reporting Revenue Gross as a Principal versus Net as an Agent* ("EITF 99-19") is followed. The determination of whether the Company acts as a principal or an agent in a transaction involves judgment and is based on an evaluation of whether the Company has the substantial risks and rewards of ownership under the terms of an arrangement.

The Company's most significant arrangements are in connection with certain exclusive distribution rights to and home video fulfillment services for the animated feature films produced by DreamWorks Animation SKG, Inc. ("DreamWorks Animation" and collectively, the "DWA agreements") and the distribution agreements with MVL Productions L.L.C. ("Marvel"), DW Funding LLC ("DW Funding") and CBS Corporation. Under the terms of these agreements, the Company is generally responsible for all out-of-pocket costs, primarily comprised of distribution and marketing costs. For the provision of distribution services, the Company generally retains a fee based upon a percentage of gross receipts and recovers expended distribution and marketing costs on a title-by-title basis prior to any participation payments to the contracting parties of the films, except as pertains to certain contractually agreed upon advance payments. As primary obligor, revenue and related distribution and marketing costs for these arrangements are presented on a gross basis in accordance with EITF 99-19.

*Advertising Expense*

The Company expenses advertising costs, including advertising costs for feature films, as incurred in accordance with SOP 93-7 *Reporting Advertising Costs* and SOP 00-2. The Company incurred total advertising expenses of \$1.662 billion in 2008, \$1.628 billion in 2007 and \$1.201 billion in 2006.

*Business Combinations and Intangible Assets Including Goodwill*

The Company accounts for business combinations using the purchase method of accounting and accordingly, the assets and liabilities of the acquired entities are recorded at their estimated fair value at the date of acquisition.

Goodwill represents the excess of the purchase price over the fair value of net assets acquired, including the amount assigned to identifiable intangible assets. The Company does not amortize the goodwill balance. The primary drivers that generate goodwill are the value of synergies between the acquired entities and the Company and the acquired assembled workforce. Identifiable intangible assets with finite lives are amortized over their estimated useful lives, which range from 3 to 15 years.

*Impairment*

Amortizable intangible assets and other long-lived assets are tested for impairment utilizing an income approach based on undiscounted cash flows upon the occurrence of certain triggering events and, if impaired, written down to fair value. In 2008, the Company recorded an impairment charge of \$32 million related to certain finite-lived intangibles. See Note 15 for additional information. Goodwill and indefinite-lived intangible assets are tested annually for impairment, or sooner when circumstances indicate impairment may exist, using a fair value approach at the reporting unit level for goodwill. A reporting unit is the operating segment, or a business which is one level below that operating segment. For all periods presented, the Company's reporting units are consistent with its operating segments, in all material respects. No impairment of goodwill or indefinite-lived intangible assets has been identified during the periods presented.

**VIACOM INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

*Comprehensive Income*

Comprehensive income includes net earnings, foreign currency translation adjustments, defined benefit pension plan amortization, unrealized gains or losses on certain derivative financial instruments, and unrealized gains and losses on certain investments in securities which are publicly traded.

*Earnings per Common Share*

Basic earnings per common share excludes potentially dilutive securities and is computed by dividing net earnings by the weighted average number of common shares outstanding during the period. The determination of diluted earnings per common share includes the potential dilutive effect of stock options, restricted share units (RSUs) and performance share units (PSUs) based upon the application of the treasury stock method.

The following table sets forth the computation of the common shares outstanding utilized in determining basic and diluted earnings per common share:

Common Shares Outstanding (in millions)	Year Ended December 31,		
	2008	2007	2006
Weighted average common shares outstanding, basic	624.7	674.1	715.2
Dilutive effect of stock options	0.2	1.0	0.9
Dilutive effect of RSUs and PSUs	0.5	0.5	0.1
Weighted average common shares outstanding, dilutive	<u>625.4</u>	<u>675.6</u>	<u>716.2</u>

In the aggregate, total stock options, RSUs and PSUs for Class B common stock of 43.9 million, 39.1 million and 41.9 million were excluded from the calculation of diluted earnings per common share for the years ended December 31, 2008, 2007 and 2006, respectively, because their inclusion would have been anti-dilutive.

*Provision for Income Taxes*

The Company accounts for income taxes as required by FASB Statement No. 109, *Accounting for Income Taxes* ("FAS 109") and related interpretations.

Accordingly, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

Uncertain tax positions are recorded based on a cumulative probability assessment if it is more likely than not – a more than 50 percent chance – that the tax position will be sustained upon examination by the appropriate tax authority with full knowledge of all information. Amounts recorded for uncertain tax positions are periodically assessed, including the evaluation of new facts and circumstances, to ensure sustainability of the position. Interest and penalties related to uncertain tax positions are included in income tax expense. Liabilities for uncertain tax positions are classified as current or long term liabilities in the Consolidated Balance Sheets based on when they are expected to be paid.

Prior to 2007, income tax contingencies were determined using an asset recognition model for which the initial valuation was based on an evaluation of tax positions under applicable tax law and the likelihood of prevailing based on these positions. Tax positions considered probable of being sustained on audit based solely on the technical merits of the position were recorded as a benefit. Under the asset recognition model, if the initial assessment failed to result in the recognition of a tax benefit, the position was monitored and subsequently recognized as a tax benefit if there were changes in tax law or analogous case law, including advice from

**VIACOM INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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counsel, that sufficiently raised the likelihood of prevailing on the technical merits of the position to probable; if there was a completion of an audit resulting in a settlement of that tax year with the appropriate agency; or if the statute of limitations expired.

For federal income tax purposes for the year ended December 31, 2005 and prior, the Company filed a consolidated tax return with CBS Corporation. Pursuant to the Tax Matters Agreement with CBS Corporation (the "Tax Matters Agreement" which is further described in Note 16), the Company determined its federal tax liability principally on a separate company basis and paid any liability to CBS Corporation. State tax returns for the years ended December 31, 2005 and prior are filed on an individual company basis except for certain states where they were filed on a combined basis with CBS Corporation. Pursuant to the Tax Matters Agreement, the Company determined its state tax liability for those combined states on a separate company basis and paid such tax to CBS Corporation.

*Pension and Other Postretirement Benefits*

The Company and certain of its subsidiaries have defined benefit pension plans covering a majority of domestic employees and, to a lesser extent, international employees. Pension and other postretirement benefits are based on formulas that reflect the employees' years of service and compensation during their employment period and participation in the plans. The expense recognized by the Company is determined using certain assumptions, including the expected long-term rate of return, discount rate and rate of compensation increases, among others. In accordance with FAS 158, the Company recognizes the funded status of its defined benefit postretirement plans (other than a multiemployer plan) as an asset or liability in the Consolidated Balance Sheets and recognizes changes in the funded status in the year in which the changes occur through other comprehensive income.

*Property and Equipment*

Property and equipment is stated at cost. Depreciation is calculated using the straight-line method. Leasehold improvements are amortized using the straight-line method over the shorter of their useful lives or the life of the lease. Costs associated with repairs and maintenance of property are expensed as incurred.

*Software Development Costs*

The Company capitalizes qualifying software development costs, principally in connection with its video game products, incurred after technological feasibility is established in accordance with FASB Statement No. 86, *Accounting for the Cost of Computer Software to be Sold, Leased or Otherwise Marketed*. Costs are not capitalized until the underlying product development is substantially complete, which generally includes the development of a working model.

*Stock-Based Compensation*

The Company measures the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award. The fair value received is recognized in earnings over the period during which an employee is required to provide service. In accordance with FASB Statement No. 123(R), *Share-Based Payment*, the Company utilizes the long-form method for calculating the historical pool of windfall tax benefits and excludes the impact of pro-forma deferred tax assets on partially and fully vested awards at adoption date for purposes of calculating assumed proceeds under the treasury stock method for diluted earnings per share.

*Securitizations*

The Company sells to investors on a revolving non-recourse basis a percentage ownership interest in certain accounts receivable through wholly-owned special purpose entities. The receivable securitization programs are accounted for as sales in accordance with FASB Statement No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities*. The Company retains interests in the trade accounts

**VIACOM INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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receivable that have not been sold to investors, and these retained interests are included in the Consolidated Balance Sheets under the caption *Receivables, net*. The retained interests in the receivables are shown at amounts expected to be collected by the Company, and such carrying value approximates the fair value of the Company's retained interests. Under the securitization arrangements, the Company absorbs credit risk on the entire pool of accounts receivable which underlie the securitization up to the level of its retained interest. The Company's historical level of charges for credit risk related to receivables has not been material to the Company's financial position or results of operations.

Viacom is compensated for its services in the collection and administration of the securitized receivables. No servicing asset or liability has been recorded because the fees received for servicing the receivables approximates the related costs. Losses on the sale of receivables represent the financial cost of funding under the securitization programs and are included in *Other items, net*.

*Investments*

The Company's investments primarily consist of investments in affiliates and other investments. Investments in affiliates, over which the Company has a significant influence, but not a controlling interest, are accounted for using the equity method. Other investments in equity securities are carried at fair value, to the extent readily determinable, with unrealized gains and losses recorded in other comprehensive income, and at cost where fair value is not readily determinable. The Company monitors its investments for impairment at least annually and makes appropriate reductions in carrying values if the Company determines that an impairment charge is required based on qualitative and quantitative information. The Company's investments are included in *Other assets* in the Consolidated Balance Sheets. Impairment charges of \$27 million and \$36 million are reflected within *Other items, net* in the Consolidated Statements of Earnings for 2008 and 2007, respectively.

*Guarantees*

The Company follows the recognition provisions of FASB Interpretation No. 45, *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others* ("FIN 45") for guarantees. FIN 45 requires a guarantor to recognize, at the inception of a guarantee, a liability for the fair value of an obligation assumed by issuing a guarantee. See Note 18 for additional information.

*Restructuring Costs*

The Company accounts for restructuring costs pursuant to FASB Statement No. 146, *Accounting for Costs Associated with Exit or Disposal Activities* ("FAS 146"). Under FAS 146, a liability is recognized when the costs are incurred and such costs are initially recorded at fair value. See Note 15 for additional information.

*Derivative Financial Instruments*

Derivative financial instruments are accounted for under FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended ("FAS 133"). Under FAS 133, all derivatives are recorded on the Consolidated Balance Sheets as assets or liabilities and measured at fair value. For derivatives designated as hedges of the fair value of assets or liabilities, the changes in fair values of both the derivatives and the hedged items are recorded in current earnings as part of *Other items, net*. For derivatives designated as cash flow hedges, the effective portion of the changes in fair value of the derivatives are recorded in *Accumulated other comprehensive (loss) income* and subsequently recognized in earnings when the hedged items impact income. Changes in the fair value of derivatives not designated as hedges and the ineffective portion of cash flow hedges are recorded in current earnings. The Company does not hold or enter into financial instruments for speculative trading purposes.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

*Foreign Currency*

Assets and liabilities are translated at exchange rates in effect at the balance sheet date, while the results of operations are translated at average rates for the respective period. The financial position and results of operations of substantially all foreign operations of the *Media Networks* segment are consolidated using the local currency as the functional currency and substantially all foreign operations of the *Filmed Entertainment* segment are consolidated using the United States ("US") Dollar as the functional currency.

*Treasury Stock*

Treasury stock is accounted for using the cost method.

*Cash and Cash Equivalents*

All highly liquid investments with maturities of three months or less at the date of purchase are considered to be cash equivalents.

*Use of Estimates*

Preparing financial statements in conformity with generally accepted accounting principles ("GAAP") requires management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities as of the dates presented and the reported amounts of revenues and expenses during the reporting periods presented. Significant estimates inherent in the preparation of the accompanying Consolidated Financial Statements include estimates of film ultimate revenues, product returns, amount of receivables expected to be collected, potential outcome of uncertain tax positions, determination of fair value of acquired assets and liabilities, determination of fair value of equity based compensation and determination of pension benefit assumptions. Estimates are based on past experience and other considerations reasonable under the circumstances. Actual results may differ from these estimates.

*Significant Risks and Uncertainties*

There was a rapid softening of the economy and tightening of the financial markets in the second half of 2008, and the outlook for the economy in 2009 is uncertain. This slowing of the economy has increased unemployment and reduced the financial capacity of consumers, thereby slowing consumer spending on the products the Company sells and licenses and weakening the businesses of customers who purchase advertising on the Company's networks and their spending on advertising generally.

As a result of these macroeconomic factors, it would be reasonably possible that the continued worsening of the Company's domestic and global economic conditions could change a number of estimates and assumptions which are significant to the underlying amounts included in the financial statements.

The Company depends on the financial markets for access to capital, as do its business partners such as cable and satellite operators, retailers, theater operators, games publishers and others. Limited or expensive access to capital could make it more difficult for these partners to do business with the Company, or to do business generally, which could adversely affect the Company's businesses. Current conditions in the credit and equity markets, if they persist, could also increase the Company's financing costs and limit its flexibility to pursue share repurchases and other strategic opportunities.

*Reclassification*

Certain amounts have been reclassified to conform to the 2008 presentation.

**VIACOM INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

**NOTE 3. RECENT ACCOUNTING STANDARDS**

*Statement No. 142-3*

In April 2008, the FASB issued Statement No. 142-3, *Determination of the Useful Life of Intangible Assets* (“FAS 142-3”). FAS 142-3 amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under FASB No. 142, *Goodwill and Other Intangible Assets*. The intent is to improve the consistency between the useful life of a recognized intangible asset under FAS 142 and the period of expected cash flows used to measure the fair value of the asset under FASB No. 141(R), *Business Combinations—revised* (“FAS 141(R)”), and other GAAP. FAS 142-3 will be effective for intangible assets acquired beginning January 1, 2009. Accordingly, the impact on the Company would be limited to the extent of any future acquisitions.

*Statement No. 161*

In March 2008, the FASB issued Statement No. 161, *Disclosures about Derivative Instruments and Hedging Activities—an amendment of FASB Statement No. 133* (“FAS 161”). FAS 161 requires entities to provide enhanced disclosures related to how an entity uses derivative instruments, how derivatives are accounted for under FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities* and how derivative instruments and the related hedged items impact an entity’s financial statements. FAS 161 is effective for the Company beginning in 2009. The Company will include the relevant disclosures in its financial statements beginning with the first quarter of 2009.

*Statement No. 141(R)*

In December 2007, the FASB issued FAS 141(R), *Business Combinations*, which provides additional guidance and standards for the acquisition method of accounting to be used for all business combinations. FAS 141(R) will be effective for all business combinations consummated beginning January 1, 2009. Accordingly, the impact on the Company would be limited to the extent of any future acquisitions. Costs associated with uncompleted acquisitions as of December 31, 2008 have been expensed.

*Statement No. 160*

In December 2007, the FASB issued Statement No. 160, *Noncontrolling Interests in Consolidated Financial Statements—an amendment of ARB No. 51* (“FAS 160”). FAS 160 establishes and provides accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. The Company will adopt FAS 160 effective beginning January 1, 2009 via retrospective application of the presentation and disclosure requirements. Any impact to net earnings attributable to the parent company is limited to the extent of any future acquisitions or dispositions involving a noncontrolling interest shareholder.

*Statement No. 157*

In September 2006, the FASB finalized Statement No. 157, *Fair Value Measurements* (“FAS 157”). FAS 157 establishes a framework for measuring fair value, clarifies the definition of fair value, and expands disclosures about the use of fair value measurements, however, it does not require any new fair value measurements. Fair value is defined as the price that would be received to sell the asset or paid to transfer the liability (an exit price) in an orderly transaction between market participants to sell or transfer such an asset or liability. The provisions of FAS 157 have been applied prospectively beginning January 1, 2008 for all financial assets and financial liabilities recognized in the financial statements at fair value. There was no measurement impact as a result of the adoption of FAS 157. The Company’s financial assets and liabilities reflected in the consolidated financial statements at fair value include marketable securities and other financial instruments. Fair value for marketable securities is determined utilizing a market approach based on quoted market prices at period end in active markets. Fair value for other financial instruments are determined utilizing an income approach. See Note 9 for additional information.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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For all non-financial assets and non-financial liabilities that are recognized at fair value in the financial statements on a nonrecurring basis, the Company has applied the provisions of FASB Staff Position FAS 157-2 — *Effective Date of FASB Statement No. 157* and delayed the effective date of FAS 157 until January 1, 2009. The Company's non-financial assets and non-financial liabilities include long-lived assets held and used, goodwill and intangible assets. The Company does not believe the adoption of FAS 157 for periodically evaluating its non-financial assets and non-financial liabilities will have a significant impact on its consolidated financial statements.

**NOTE 4. ACQUISITIONS***DreamWorks L.L.C.*

On January 31, 2006, the Company completed the acquisition of DreamWorks L.L.C. ("DreamWorks"), a leading producer of live-action motion pictures and television programming. The total consideration of \$1.53 billion, net of cash acquired of \$257 million, consisted of \$1.11 billion of cash paid, \$657 million of assumed note payables and preferred interest and \$23 million of stock-based compensation and transaction costs. The preferred interest assumed was repurchased and cancelled prior to March 31, 2006 and the assumed notes payable were repaid prior to June 30, 2006.

The table below provides a summary of purchase price allocations as of the acquisition date:

(in millions)	Amount	Average Life
Film inventories, including live-action library	\$1,094	10 years
Distribution and fulfillment services	280	8 years
Trademarks	13	6 years
Output agreements	7	7 years
Working capital deficit, net	(160)	
Goodwill	295	
Total purchase price, net of cash acquired	<u>\$1,529</u>	

The results of operations for DreamWorks are included in the *Filmed Entertainment* segment beginning February 1, 2006. The following unaudited pro forma financial information presents the combined results of operations of the Company and DreamWorks as if the acquisition had occurred as of January 1, 2006. The unaudited pro forma financial information is not intended to represent or be indicative of what the Company's consolidated net earnings would have been had the business combination been completed as of the beginning of the period presented and should not be taken as indicative of the Company's future consolidated net earnings:

(in millions, except per share amounts)	December 31, 2006
Revenues	\$11,554
Net earnings from continuing operations	\$ 1,565
Net earnings	\$ 1,590
Net earnings per common share:	
Basic	\$ 2.22
Diluted	\$ 2.22

*Sale of DreamWorks Live-Action Film Library*

Among the assets acquired with the purchase of DreamWorks was a live-action film library consisting of 59 films released through September 16, 2005. In May 2006, the Company sold a 51% controlling interest in DW Funding, the entity which owns the live-action library, to Soros Strategic Partners LP ("Soros") and Dune Entertainment II LLC ("Dune"). The Company received \$675 million net proceeds, after considering closing

**VIACOM INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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adjustments, which was principally utilized to repay notes acquired as part of the DreamWorks acquisition. No gain or loss was recognized in connection with the sale of the controlling interest in DW Funding as the sale of the live-action film library was contemplated at the time of the DreamWorks acquisition. The Company retained a 49% minority equity interest in DW Funding and has certain rights and obligations to reacquire the library nine months prior to the fifth anniversary of the date of sale or August 2010. Specifically, the Company is subject to a put option where it can be required to repurchase the 51% interest of DW Funding it does not own at fair market value. The Company also has a corresponding fair market value call option. In connection with the sale of DW Funding, the Company also guaranteed certain debt of DW Funding. See Note 5 and Note 18 for additional information.

In connection with the sale of the controlling interest in DW Funding, Paramount and its international affiliates retained the exclusive distribution rights to previously released DreamWorks films for a five-year period, renewable under certain circumstances, for which Paramount receives distribution fees.

*Other Business Combinations*

In 2008 and 2007, the Company invested \$225 million and \$15 million in acquisitions, respectively. Included in the 2008 amount is \$150 million for an earn-out payment related to the Company's acquisition of Harmonix Music Systems Inc. ("Harmonix").

In October 2006, the Company acquired Harmonix, the developer of *Guitar Hero* and other music gaming titles for an initial payment of \$175 million. The acquisition agreement provided that to the extent financial results exceeded specific contractual targets against a defined gross profit metric through 2008, former Harmonix shareholders are eligible for incremental earn-out payments with respect to the years ended December 31, 2007 and December 31, 2008. In 2008, the Company paid \$150 million, subject to adjustment, under this earn-out agreement related to 2007 performance. The 2008 earn-out payment, payable in 2009, will depend on the final assessment of performance and is expected to be less than the 2007 earn-out payment.

During 2006, the Company also acquired additional interests in four entities previously accounted for under the equity method of accounting. All additional interests were acquired for aggregate cash consideration, net of cash acquired, of \$100 million. The Company began consolidating such interests upon acquisition of each respective controlling interest within its *Media Networks* segment.

The pro forma impact of these and other business combinations completed during each of the years ended December 31, 2008, 2007 and 2006, either individually or in the aggregate, were not material to the Company.

**NOTE 5. INVESTMENTS**

At December 31, 2008 and 2007, the Company had equity method investments totaling \$238 million and \$266 million, respectively, which are included in *Other assets* in the Consolidated Balance Sheets. In August 2007, the Company contributed a \$230 million non-interest bearing note payable and certain assets related to MTV's URGE digital music service for a 49% stake in Rhapsody America LLC, a newly formed venture with RealNetworks, Inc. In November 2007, the Company established a joint venture ("Viacom 18") with Network18 Fincap Limited ("Network18"), a leading entertainment and media company in India, through the Company's contribution of its existing MTV Networks' India operations, with cash and other consideration contributed to the venture by Network18.

During 2007, the Company sold its non-controlling investment in MTV Russia, an international equity affiliate, for \$191 million and recognized a pre-tax gain on the sale of \$151 million.

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***Investments in Variable Interest Entities***

In the normal course of business, the Company enters into joint ventures or makes investments with business partners that support its underlying business strategy and provide it the ability to enter new markets to expand the reach of its brands, develop new programming and/or distribute its existing content. In certain instances, an entity in which the Company makes an investment may qualify as a variable interest entity. In determining whether the Company is the primary beneficiary pursuant to FIN 46(R) of those variable interest entities, it considers quantitative and qualitative factors as further described below.

***Unconsolidated Variable Interest Entities***

The Company has a number of unconsolidated investments in which it holds a non-controlling ownership interest. These arrangements are typically entered into with strategic partners and contain the following governance provisions: (i) the funding of the venture is provided by the equity holders pro rata based on their ownership interest; (ii) the investments are initially funded to meet short-term working capital requirements with funding commitments provided by the partners to fund future operating needs; (iii) commercial arrangements between the Company, the venture and other related parties are negotiated between the parties and are believed to be at market rates; and (iv) voting rights are consistent with the equity holders' rights and obligations to share in the profits and losses of the variable interest entity. In connection with these investment arrangements the Company does not hold a majority of the equity interest, it does not absorb a majority of the expected losses or residual returns, and therefore does not qualify as the primary beneficiary. Accordingly, these investments are accounted for under the equity method of accounting and are included in *Other assets* in the Consolidated Balance Sheets. In these arrangements, the Company's risk of loss is typically limited to its carrying value and future funding commitments.

As discussed in Note 4 above, the Company acquired 100% of DreamWorks on January 31, 2006. Included as part of such acquisition was a live-action film library which was legally owned by DW Funding, a wholly owned subsidiary of DreamWorks. In May 2006, the Company sold a 51% controlling interest in DW Funding to Soros Strategic Partners LP ("Soros") and Dune Entertainment II LLC ("Dune"), and retained a 49% interest. The Company acquired DreamWorks with the intention of selling the live-action film library close to or concurrently with the closing of the acquisition, but ultimately, the buyers sought terms which called for the Company to retain an interest in the film library. In connection with the sale, DW Funding entered into senior borrowings with a third party and mezzanine financings with Soros and Dune, the proceeds of which were utilized to fund the cash paid to the Company for the sale of its controlling interest in DW Funding. As further described in Note 18, the Company has guaranteed certain mezzanine financing of DW Funding provided by Soros and Dune. Based upon the level of equity investment at risk, the Company determined that DW Funding was a variable interest entity as defined within FIN 46(R). In order to assess whether the Company would absorb the majority of expected losses, the Company quantitatively computed the expected losses to be absorbed by each of the variable interest holders and determined that the variable interest which it held, including the debt guaranteed, would not result in the Company absorbing the majority of expected losses of DW Funding. Based on the quantitative analysis and after considering qualitative factors including the nature and purpose of the transaction, the Company determined it was not the primary beneficiary of DW Funding. As a result, the Company accounts for its investment under the equity method of accounting.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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At December 31, 2008, in addition to the Company's aggregate investment carrying value in VIEs of \$180 million, it has future contractual funding commitments of \$235 million as well as \$53 million recorded for its guarantee related to DW Funding. The impact of the Company's unconsolidated VIEs on its Consolidated Financial Statements, including related party transactions is further described in Note 17.

*Consolidated Variable Interest Entities*

In April 2008, MTV Networks' Hispanic oriented cable network MTV Tr3s acquired an interest in a television broadcaster to expand its reach to Hispanic audiences in the Los Angeles and other southwest markets where the target company held broadcast licenses. The Company acquired a 33% non-voting equity interest in the broadcaster and has certain rights and funding obligations related to its investment, including the guarantee of third-party bank debt. The Company has determined that it is the primary beneficiary as it will absorb the majority of losses through its equity interest and via its guarantee of third-party bank debt. Accordingly, the Company consolidates the entity. As of December 31, 2008, there are \$103 million of assets and \$78 million of liabilities in respect of this entity included within the Company's Consolidated Balance Sheet. The impact of the operating results of this consolidated variable interest entity was not significant to the Company's revenues, expenses or operating income for the year ended December 31, 2008.

**NOTE 6. GOODWILL AND INTANGIBLES**

***Goodwill***

For the years ended December 31, 2008 and 2007, the changes in the book value of goodwill by segment were as follows:

Goodwill (in millions)	Media Networks	Filmed Entertainment	Total
<b>Balance at December 31, 2006</b>	\$9,494	\$1,643	\$11,137
Additions	4	—	4
Purchase price adjustments	236	(49)	187
Foreign currency translation	47	—	47
<b>Balance at December 31, 2007</b>	9,781	1,594	11,375
Additions	21	31	52
Purchase price adjustments	40	—	40
Foreign currency translation	3	—	3
<b>Balance at December 31, 2008</b>	<b>\$9,845</b>	<b>\$1,625</b>	<b>\$11,470</b>

Goodwill increased by \$95 million and \$238 million during 2008 and 2007, respectively. The *Media Networks* purchase price adjustments in both years principally reflect the accrual of contingent consideration related to the Harmonix acquisition, which is further described in Note 4 above.

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**(Continued)**

**Intangibles**

The following table details the Company's intangible asset balances by major asset classes:

Intangibles (in millions)	December 31,	
	2008	2007
Finite lived intangible assets:		
Subscriber agreements	\$ 61	\$ 56
Film distribution and fulfillment services	344	343
Other intangible assets	359	368
Total finite lived intangible assets	764	767
Less accumulated amortization	(303)	(220)
Finite lived intangible assets, net	\$ 461	\$ 547
Trademarks and other, indefinite lived	213	137
Total intangibles, net	\$ 674	\$ 684

Amortization expense relating to intangible assets was \$141 million in 2008, \$143 million in 2007, and \$135 million in 2006. The 2008 expense includes an impairment charge of \$32 million related to certain intangibles in the *Media Networks* segment. See Note 15 for additional information. The Company expects its aggregate annual amortization expense for existing intangible assets subject to amortization at December 31, 2008 to be as follows for each of the next five years:

Amortization of Intangibles (in millions)	2009	2010	2011	2012	2013
Amortization expense	\$ 108	\$ 105	\$ 86	\$ 58	\$ 51

**NOTE 7. INVENTORY**

Inventory (in millions)	December 31,	
	2008	2007
Film Inventory:		
Released, net of amortization	\$ 840	\$ 760
Completed, not yet released	263	268
In process and other	826	860
Total film inventory, net	1,929	1,888
Programming Inventory:		
Original programming, net of amortization	1,253	1,303
Acquired program rights, net of amortization	1,474	1,424
Merchandise and other inventory, net of allowance of \$119 and \$107	358	220
Total inventory, net	5,014	4,835
Less current portion of inventory, net	(881)	(727)
Total inventory-noncurrent, net	\$4,133	\$4,108

The Company expects to amortize approximately \$1.166 billion of original programming and film inventory, including released and completed but not yet released during the year ending December 31, 2009 using the individual-film-forecast computation method. In addition, the Company expects to amortize 80% of unamortized released original programming and film inventory, excluding acquired film libraries, at December 31, 2008 within the next three years. As of December 31, 2008, unamortized film libraries of approximately \$70 million remain to be amortized on a straight-line basis over an average remaining life of five years.

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**NOTE 8. DEBT**

Total debt of the Company consists of the following:

Debt (in millions)	December 31,	
	2008	2007
<b>Senior Notes and Debentures:</b>		
Senior notes due 2009, 3 month LIBOR + 0.35%, reset quarterly	\$ 750	\$ 750
Senior notes due 2011, 5.750%	1,496	1,494
Senior notes due 2016, 6.250%	1,495	1,495
Senior notes due 2017, 6.125%	497	497
Senior debentures due 2036, 6.875%	1,734	1,733
Senior debentures due 2037, 6.750%	248	248
Senior notes due 2055, 6.850%	750	750
Note payable	136	170
Commercial paper	—	56
Credit facility	650	750
Capital leases and other obligations	246	303
<b>Total long-term debt</b>	<b>8,002</b>	<b>8,246</b>
Less current portion of long-term debt	(105)	(187)
<b>Total non-current portion of long-term debt</b>	<b>\$7,897</b>	<b>\$8,059</b>

*Senior Notes and Debentures*

In October 2007, the Company sold \$500 million aggregate principal amount of 6.125% Senior Notes due 2017 at a price equal to 99.286% of the principal amount and \$250 million aggregate principal amount of 6.750% Senior Debentures due 2037 at a price equal to 99.275% of the principal amount. The total discount on the sale of these instruments was \$5 million. The Company used the total cash proceeds, net of discount and offering expenses, of \$740 million to repay amounts outstanding under its revolving credit facility and its commercial paper program. The Senior Notes due 2017 and the Senior Debentures due 2037 provide for a possible acceleration of the obligation in the event of a change in control under certain specified circumstances coupled with ratings downgrades due to the change in control. The Senior Notes due in June 2009 are classified as long-term debt as the Company has the intent and ability, through utilization of its \$3.25 billion revolving facility due December 2010, which is further described below, to refinance this debt.

At December 31, 2008 and 2007, the total unamortized discount related to the fixed rate Senior Notes and Debentures was \$30 million and \$33 million, respectively. Based on the level of interest rates prevailing at December 31, 2008, the carrying value of the Company's Senior Notes and Debentures exceeded its fair market value by \$1.070 billion.

*Note Payable*

In 2007, the Company issued a \$230 million non-interest bearing note payable (\$190 million, discounted at a rate of 5.8% with quarterly principal payments fully amortizing in 2013) related to its investment in Rhapsody America, LLC, a newly formed venture with RealNetworks, Inc. At December 31, 2008, the total remaining principal balance on the note was \$161 million, including an unamortized discount of \$25 million.

*Commercial Paper*

At December 31, 2008, the Company had no commercial paper outstanding. At December 31, 2007, the outstanding commercial paper had a weighted average interest rate of 5.95% and a weighted average maturity of less than 30 days. The Company typically classifies commercial paper as long-term debt as the Company has the intent and ability through utilization of the \$3.25 billion revolving facility due December 2010 to refinance this facility.

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*Credit Facility*

At December 31, 2008 and 2007, the Company had a single \$3.25 billion revolving facility due December 2010. The primary purpose of the facility is to fund short-term liquidity needs and to support commercial paper borrowings. Borrowing rates under the revolving facility are determined at the time of each borrowing and are based generally on the LIBOR plus a margin based on the senior unsecured credit rating of the Company. A facility fee is paid based on the total amount of the commitments. In addition, the Company may borrow in certain foreign currencies up to specified limits under the revolving facility.

The credit facility contains typical covenants for an investment grade company. The principal financial covenant requires the Company's interest coverage for the most recent four consecutive fiscal quarters to be at least 3.0x, which it met at December 31, 2008. As of December 31, 2008, it was approximately 7.0x.

The Company's scheduled maturities of long-term debt at face value, excluding capital leases, outstanding at December 31, 2008 were as follows:

Maturities of Long-term Debt Excluding Capital Leases (in millions)	2009	2010	2011	2012	2013	2014 — Thereafter
Long-term debt	\$815	\$715	\$1,531	\$—	\$73	\$4,750

**NOTE 9. FINANCIAL INSTRUMENTS**

The Company uses derivative financial instruments to modify its exposure to market risks from changes in foreign exchange rates and interest rates. The Company conducts business in various countries outside the United States, resulting in exposure to movements in foreign exchange rates when translating from the foreign local currency to the U.S. Dollar. Foreign currency forward contracts are used to economically hedge anticipated cash flows and foreign currency balances in such currencies as the British Pound, the Australian Dollar, the Euro, the Japanese Yen and the Canadian Dollar. The change in fair value of the non-designated contracts is included in current period earnings as part of *Other items, net*. Additionally, from time to time the Company designates forward contracts to hedge future production costs as cash flow hedges or a hedge of the foreign currency exposure of a net investment in a foreign operation. The Company manages the use of foreign exchange derivatives centrally.

At December 31, 2008, the notional value of all foreign exchange contracts was \$3 million which related to the hedging of future production costs. At December 31, 2007, the notional value of all foreign exchange contracts was \$127 million, of which \$26 million related to the hedging of future production costs. The remaining \$101 million represented economic hedges of underlying foreign currency balances and expected foreign currency net cash flows and investment hedges.

A portion of the Company's interest expense is exposed to movements in short-term rates. Interest rate hedges may be used to modify this exposure at the discretion of the Company. As of December 31, 2008 and 2007, there were no interest rate hedges outstanding. During 2007 and 2006, the Company had entered into \$350 million and \$2.350 billion, respectively, notional amount of interest rate hedges to reduce the variability of cash flows attributable to changes in the benchmark interest rate of future debt issuances. The Company terminated the hedges during the same years, resulting in cash proceeds to the Company of approximately \$1 million and \$88 million, respectively that was principally recorded as a component of other comprehensive income, net of tax. At December 31, 2008 and 2007, \$44 million and \$48 million, respectively, is included in *Accumulated other comprehensive (loss) income* and is being recognized as a reduction of interest expense, net over the life of the related senior notes and debentures.

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The following table summarizes the valuation of the Company's financial assets and liabilities at December 31, 2008:

Financial Asset (Liability) (in millions)	December 31, 2008	Quoted Prices In Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Marketable securities	\$ 56	\$56	\$—	\$—
Other financial instruments	(53)	—	—	(53)
<b>Total</b>	<b>\$ 3</b>	<b>\$56</b>	<b>\$—</b>	<b>\$(53)</b>

The \$53 million financial instrument measured using significant unobservable inputs relates to the Company's guarantee of certain debt of DW Funding as more fully described in Note 18. The change in fair value during the reporting period is reflected as a component of *Other items, net* within the Company's Consolidated Statements of Earnings. During 2008, the change in fair value had a *de minimis* impact on the Company's Consolidated Statement of Earnings.

**NOTE 10. RECEIVABLES**

At December 31, 2008 and 2007 *Receivables, net* (including retained interests in securitizations) were as follows:

Receivables, Net (Including Retained Interests in Securitizations) (in millions)	December 31,	
	2008	2007
Securitized pools of trade receivables	\$2,348	\$2,259
Interests in securitizations sold to third parties	(950)	(950)
Retained interests in securitizations	1,398	1,309
Receivables not subject to securitizations	972	1,410
Receivables, including retained interests in securitizations	2,370	2,719
Less allowance	(99)	(102)
<b>Total receivables, net</b>	<b>\$2,271</b>	<b>\$2,617</b>

The terms of the revolving securitization arrangements require that the receivable pools meet certain performance ratios. At December 31, 2008 and 2007 the Company was in compliance with the required ratios, or has obtained the necessary waivers, under the receivable securitization programs. The financial cost of funding and the cash flow impact of the securitization programs to the Company's operating cash flows are included in Note 19.

The Company does not believe its receivables represent significant concentrations of credit risk at December 31, 2008, due to the wide variety of customers, markets and geographic areas from which the Company derives its revenue. While the Company is exposed to credit loss in the event of nonpayment by its customers, the Company believes its allowance for doubtful accounts is sufficient to cover any anticipated nonpayment by customers.

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**NOTE 11. STOCKHOLDERS' EQUITY**

*Common Stock*

The Viacom Board of Directors has the power to issue shares of authorized but unissued Class A common stock and Class B common stock without further stockholder action, subject to the requirements of applicable law and stock exchanges. Viacom's certificate of incorporation authorizes 375 million shares of Class A common stock and 5 billion shares of Class B common stock. The number of authorized shares of Class A common stock and Class B common stock could be increased with the approval of the stockholders of a majority of the outstanding shares of Class A common stock and without any action by the holders of shares of Class B common stock.

The following is a description of the material terms of Viacom's capital stock. The following description is not meant to be complete and is qualified by reference to Viacom's certificate of incorporation and bylaws and Delaware General Corporation Law.

Voting Rights—Holders of Class A common stock are entitled to one vote per share. Holders of Class B common stock do not have any voting rights, except as required by Delaware law. Generally, all matters to be voted on by Viacom stockholders must be approved by a majority of the aggregate voting power of the shares of Class A common stock present in person or represented by proxy, except as required by Delaware law.

Dividends—Stockholders of Class A common stock and Class B common stock will share ratably in any cash dividend declared by the Board of Directors, subject to any preferential rights of any outstanding preferred stock. Viacom does not currently pay a cash dividend, and any decision to pay a cash dividend in the future will be at the discretion of the Board of Directors and will depend on many factors.

Conversion—So long as there are 5,000 shares of Class A common stock outstanding, each share of Class A common stock will be convertible at the option of the holder of such share into one share of Class B common stock.

Liquidation Rights—In the event of liquidation, dissolution or winding-up of Viacom, all stockholders of common stock, regardless of class, will be entitled to share ratably in any assets available for distributions to stockholders of shares of Viacom common stock subject to the preferential rights of any outstanding preferred stock.

Split, Subdivisions or Combination—In the event of a split, subdivision or combination of the outstanding shares of Class A common stock or Class B common stock, the outstanding shares of the other class of common stock will be divided proportionally.

Preemptive Rights—Shares of Class A common stock and Class B common stock do not entitle a stockholder to any preemptive rights enabling a stockholder to subscribe for or receive shares of stock of any class or any other securities convertible into shares of stock of any class of Viacom.

*Preferred Stock*

The Company's capital stock includes 25 million authorized shares of preferred stock with a par value of \$0.001 per share. At December 31, 2008 and 2007, none of the 25 million authorized shares of the preferred stock are issued and outstanding.

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*Other Comprehensive Income (Loss)*

Total changes in stockholders' equity are included in the Consolidated Statements of Stockholders' Equity and Comprehensive Income. The pre-tax and after-tax components of *Other comprehensive income (loss)* are as follows:

Other Comprehensive Income (Loss) (in millions)	Pre- Tax	Tax	After- Tax
<b>Year ended December 31, 2006</b>			
Translation adjustments	\$ 72	\$ —	\$ 72
Unrealized gain (loss) on securities	2	(1)	1
Cash flow hedges	82	(32)	50
Minimum pension adjustment	20	(8)	12
	<u>\$ 176</u>	<u>\$(41)</u>	<u>\$ 135</u>
<b>Year ended December 31, 2007</b>			
Translation adjustments	\$ 69	\$ —	\$ 69
Unrealized gain (loss) on securities	(5)	2	(3)
Cash flow hedges	(3)	1	(2)
Defined benefit pension plans	29	(13)	16
	<u>\$ 90</u>	<u>\$(10)</u>	<u>\$ 80</u>
<b>Year ended December 31, 2008</b>			
Translation adjustments	\$ (90)	\$ —	\$ (90)
Unrealized gain (loss) on securities	(1)	1	—
Cash flow hedges	(6)	2	(4)
Defined benefit pension plans	(194)	75	(119)
	<u>\$(291)</u>	<u>\$ 78</u>	<u>\$(213)</u>

The components of *Accumulated other comprehensive (loss) income* are as follows:

Accumulated Other Comprehensive (Loss) Income (in millions)	December 31,		
	2008	2007	2006
Translation adjustments	\$ 24	\$114	\$ 45
Unrealized (loss) gain on securities	(2)	(2)	1
Cash flow hedges	44	48	50
Pension and post retirement related amounts <sup>(1)</sup>	(153)	(34)	(50)
	<u>\$ (87)</u>	<u>\$126</u>	<u>\$ 46</u>

(1) See Note 14 for additional information.

**NOTE 12. STOCK REPURCHASE PROGRAM**

From June 23, 2007 to December 31, 2008, the Company repurchased shares of its Class B common stock under a \$4.0 billion stock repurchase program. From January 2006 until June 22, 2007, the Company repurchased shares under a \$3.0 billion stock repurchase program. In connection with the programs, the Company entered into an agreement with NAI and NAIRI (the "NAIRI Agreement") pursuant to which the Company agreed to buy from NAI and NAIRI, and they agreed to sell to the Company, a number of shares of its Class B common stock each month such that the ownership percentage of its Class A common stock and Class B common stock (considered as a single class) held by NAI and/or NAIRI would not increase as a result of the Company's

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purchase of shares under the program. The NAIRI Agreement was terminated in October 2008. Since December 31, 2008, the Company has not purchased any shares under its stock repurchase program, but may resume purchases in the future based on a variety of factors.

For the year ended December 31, 2008, 35.1 million shares were repurchased in the open market under the \$4.0 billion program for an aggregate purchase of \$1.099 billion and an additional 3.6 million shares were purchased under the NAIRI Agreement with NAI for an aggregate purchase price of \$124 million. A liability of \$24 million was accrued in the Company's Consolidated Balance Sheet at December 31, 2007 for the obligation to repurchase committed shares not yet settled at the balance sheet date.

**NOTE 13. STOCK BASED COMPENSATION**

The Company's 2006 Long-Term Management Incentive Plan (the "LTMIP") provides for various types of equity awards, including stock options, stock appreciation rights, restricted shares, restricted share units ("RSUs"), unrestricted shares of Class B Common Stock, phantom shares, dividend equivalents, performance awards (including performance share units ("PSUs")) and other awards, or a combination of any of the above. In addition, the Company's director equity plans provide for automatic grants of stock options and RSUs to outside directors each year.

The Company has primarily granted stock options and RSUs to employees. Stock options generally vest ratably over a four-year period from the date of grant and expire eight to ten years after the date of grant. RSUs typically vest ratably over a four-year period from the date of the grant. In 2007, the Company began granting PSUs to its most senior executives with the target number of PSUs granted to each executive representing the right to receive one share of Class B common stock, subject to adjustment depending on the total shareholder return ("TSR") of the Company's Class B common stock measured against the TSR of the common stock of the companies comprising the S&P 500 Index at the start of the measurement period. The number of shares of Class B common stock an executive is entitled to receive at the end of the applicable measurement period ranges from 0% to 300% of the target PSU award. If Viacom's percentile rank of TSR relative to the TSR for the companies in the S&P 500 Index is less than the 25th percentile, the target grant is forfeited unless the Company has achieved a specified level of earnings per share set for the measurement period, in which case the executive would receive a percentage of the target award.

*Conversion in the Separation*

In connection with the separation, all outstanding unexercised options to purchase shares of Former Viacom Class B common stock and all outstanding RSUs of Former Viacom Class B common stock held by an individual who was an employee or director of Former Viacom immediately prior to the effective date and became an employee or director of Viacom immediately following the separation were converted into options to purchase shares of Viacom Class B common stock and RSUs of Viacom Class B common stock, respectively. The Former Viacom stock options were converted in a manner designed to preserve their intrinsic value, in each case determined immediately prior to the separation, and the Former Viacom RSUs were converted in a manner designed to preserve their value. To accomplish this, adjustments were made to the number of stock options and the option exercise prices, and the number of RSUs. The conversion of Former Viacom stock options and RSUs to stock options and RSUs of the Company did not require the recognition of compensation expense as the value of the respective awards remained unchanged.

Upon the exercise of a stock option award or the vesting of RSUs, Class B Common Shares are issued from authorized but unissued shares or from treasury stock. At December 31, 2008, the Company had 151.5 million shares in treasury. The aggregate number of equity awards authorized and available under the LTMIP for future

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grants as of December 31, 2008 and December 31, 2007 approximated 40.9 million and 32.8 million, respectively, assuming that PSU awards are paid at target.

*Compensation Cost Recognized*

In accordance with FAS 123(R), the Company elected the modified prospective application method. Under this method, the Company began recognizing compensation cost for equity based compensation for all new or modified grants beginning January 1, 2006. In addition, as of January 1, 2006, the Company began to recognize the unvested portion of the grant date fair value of awards issued prior to the adoption based on the fair values previously calculated for disclosure purposes.

Presented below is a summary of the compensation cost recognized in the accompanying Consolidated Statements of Earnings:

Stock Based Compensation Expense (in millions)	Year Ended December 31,		
	2008	2007	2006
Recognized in earnings:			
Stock options	\$42	\$46	\$57
Restricted share units	34	29	23
Performance share units	23	11	—
Total compensation cost in earnings	<u>\$99</u>	<u>\$86</u>	<u>\$80</u>
Tax benefit recognized	\$37	\$33	\$30
Capitalized stock based compensation expense	\$14	\$11	\$ 7

*Stock Options*

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model. The determination of volatility is principally based upon implied volatilities from traded options. The expected term, representing the period of time that options granted are expected to be outstanding, is estimated using a lattice-based model incorporating historical post vest exercise and employee termination behavior. The risk-free rate assumed in valuing the options is based on the U.S. Treasury Yield curve in effect applied against the expected term of the option at the time of the grant. Below are the weighted average fair value of awards granted in the periods presented and the weighted average of the applicable assumptions used to value stock options at grant date:

Key Assumptions	Year Ended December 31,		
	2008	2007	2006
Weighted average fair value of grants	\$11.50	\$12.20	\$9.88
Weighted average assumptions:			
Expected stock price volatility	30.3%	20.9%	24.2%
Expected term of options (in years)	5.0	4.7	4.0
Risk-free interest rate	3.3%	4.8%	4.9%
Expected dividend yield	—	—	—

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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The following table summarizes information about the Company's stock option transactions:

Stock Options (number of options in thousands)	2008		2007		2006	
	Options	Weighted average exercise price	Options	Weighted average exercise price	Options	Weighted average exercise price
Outstanding at the beginning of the year	43,741.5	\$49.69	48,316.8	\$48.77	41,423.1	\$51.22
Granted	4,748.0	35.28	4,269.6	43.85	10,849.9	36.92
Exercised	(115.0)	23.83	(3,698.6)	28.17	(1,628.1)	28.09
Forfeited or expired	(6,355.7)	49.54	(5,146.3)	51.67	(2,328.1)	51.65
Outstanding at the end of the year	42,018.8	\$48.15	43,741.5	\$49.69	48,316.8	\$48.77
Exercisable at the end of the year	31,144.6	\$51.44	33,435.5	\$52.24	35,259.2	\$52.45

The weighted average remaining contractual life of stock options outstanding and exercisable, respectively, at December 31, 2008 is 4 years and 3 years. The aggregate intrinsic value of stock options outstanding and exercisable at December 31, 2008 is \$0. Stock options granted for the year ended December 31, 2006 include approximately 685,300 options issued in connection with the DreamWorks acquisition.

The following table summarizes information relating to stock option exercises during the periods presented:

Stock Option Exercises (in millions)	Year Ended December 31,		
	2008	2007	2006
Proceeds from stock option exercises	\$3	\$104	\$46
Intrinsic value	\$2	\$ 51	\$16
Tax benefit	\$1	\$ 17	\$ 6

Total unrecognized compensation cost related to unvested stock option awards at December 31, 2008 is approximately \$89 million and is expected to be recognized on a straight-line basis over a weighted-average period of 2 years.

*Restricted Share Units*

The following table summarizes activity relating to the Company's RSUs:

Restricted Share Units (number of options in thousands)	2008		2007		2006	
	Number of Shares	Weighted average grant date fair value	Number of Shares	Weighted average grant date fair value	Number of Shares	Weighted average grant date fair value
Unvested at the beginning of the year	2,582.2	\$40.46	2,393.4	\$38.75	1,050.6	\$46.24
Granted	1,410.7	35.31	1,112.1	43.52	1,975.5	35.59
Vested	(846.0)	40.72	(620.9)	39.86	(477.4)	42.79
Forfeited	(267.1)	39.42	(302.4)	40.54	(155.3)	36.75
Unvested at the end of the year	2,879.8	\$37.95	2,582.2	\$40.46	2,393.4	\$38.75

The total weighted average remaining contractual life and aggregate intrinsic value of unvested RSUs at December 31, 2008 is 1 year and \$55 million, respectively. At December 31, 2008, 69,219 RSUs were vested and deferred with a weighted average grant date fair value of \$46.20 and an aggregate intrinsic value of \$1 million.

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In May 2006, the Company made a non-recurring award under the LTMP of 752,300 RSUs subject to performance and/or market conditions with time vesting to its senior executives. The grant date discounted fair value for the RSUs subject to both market and performance conditions was computed using a Monte Carlo model. The grant date fair value for RSUs subject to performance conditions and time vesting is the underlying share price on the date of grant. Compensation cost is being recognized over the requisite service period and includes the impact of the one-time performance goal that has already been met.

The fair value of RSUs vested during the years ended December 31, 2008, 2007 and 2006 was \$29 million, \$29 million and \$14 million, respectively. Total unrecognized compensation cost related to RSUs at December 31, 2008 is approximately \$77 million and is expected to be recognized over a weighted-average period of 2 years.

*Performance Share Units*

The grant date fair value for the PSUs subject to the market and performance condition indicated earlier in this note with time vesting is computed using a Monte Carlo model to estimate the total return ranking of Viacom among the S&P 500 Index companies on the date of grant over the performance periods. Compensation cost assumes all performance goals will be met and is being recognized as the requisite service period is fulfilled.

The following table summarizes activity relating to the Company's PSUs:

	2008		2007	
	Number of Shares	Weighted average grant date fair value	Number of Shares	Weighted average grant date fair value
<b>Performance Share Units</b> (number of shares in thousands)				
Unvested at the beginning of the year	635.5	\$65.19	—	\$ —
Granted	704.6	57.82	638.5	65.13
Vested	(2.5)	51.59	(0.2)	51.59
Forfeited	(19.2)	46.21	(2.8)	51.59
Unvested at the end of the year	<u>1,318.4</u>	<u>\$61.56</u>	<u>635.5</u>	<u>\$65.19</u>

The total weighted average contractual life and aggregate intrinsic value of nonvested PSUs at December 31, 2008 is 2 years and \$25 million, respectively. The fair value of PSUs vested during the years ended December 31, 2008 and 2007 was not material. Total unrecognized compensation cost related to PSUs at December 31, 2008 is approximately \$42 million and is expected to be recognized on a straight-line basis over a weighted-average period of 2 years.

*Other Share Based Payments*

In September 2006, the Company announced that it had entered into an amended employment agreement with the Executive Chairman of the Board of Directors and Founder. As part of the agreement, \$9 million of deferred compensation balance that was principally invested in a stable value fund was converted into stock option equivalents. The stock option equivalents have an exercise price of \$37.55, equal to the closing price of the Class B shares on September 27, 2006, vest in equal annual installments over four years, have a term of eight years and will be settled upon exercise in cash. Accordingly, value will only be realized to the extent the price of the Class B shares is higher than the exercise price at the time the stock option equivalents are exercised. As a result of the conversion, the Company has reversed the previously accrued deferred compensation liability as a component of selling, general and administrative expenses for the year ended December 31, 2006. The Company will recognize compensation expense over the vesting period utilizing the fair value of the stock option equivalents measured at each reporting date in accordance with FAS 123(R). Compensation relating to the stock option equivalents of \$3 million of income and \$3 million of expenses is included in the results of operations for the years ended December 31, 2008 and 2007, respectively.

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**NOTE 14. PENSION AND OTHER POSTRETIREMENT BENEFITS**

The Company has both funded and unfunded noncontributory defined benefit pension plans covering the majority of domestic employees and retirees, and to a lesser extent international employees and retirees. In addition, eligible employees participate in Viacom-sponsored health and welfare plans that provide certain postretirement health care and life insurance benefits to retired employees and their covered dependents. Most of the health and welfare plans are contributory and contain cost-sharing features such as deductibles and coinsurance which are adjusted annually. Claims are paid either through certain trusts funded by Viacom or by the Company's own funds.

FAS 158, adopted as of December 31, 2006, requires the recognition of the funded status of each defined pension benefit plan, retiree health care and other postretirement benefit plans and post-employment benefit plans on the balance sheet. Overfunded plans are recognized as assets and, correspondingly, underfunded plans are recognized as liabilities. The initial impact of the standard due to unrecognized prior service costs or credits and net actuarial gains or losses as well as subsequent changes in the funded status is recognized as a component of *Accumulated other comprehensive (loss) income* in the Consolidated Statements of Stockholders' Equity and Comprehensive Income. Additional minimum pension liabilities ("AML") and related intangible assets were also derecognized upon adoption of the new standards.

The following table summarizes the effect of required changes in the AML as of December 31, 2006 prior to the adoption of FAS 158, as well as the impact of the initial adoption of FAS 158:

(in millions)	December 31, 2006 prior to AML and FAS 158 Adjustment	Net AML Adjustments	FAS 158 Adjustment	December 31, 2006 Adjusted
Other assets	\$ 569	\$ (4)	\$ —	\$ 565
Deferred tax liabilities, net	\$ 172	\$ 8	\$(25)	\$ 155
Other liabilities – noncurrent	\$1,318	\$(23)	\$ 64	\$1,359
Accumulated other comprehensive income	\$ 73	\$ 12	\$(39)	\$ 46

A December 31<sup>st</sup> measurement date is used for all pension and other postretirement benefit plans. The following tables summarize changes in the benefit obligation, the plan assets and the funded status of the Company's pension and postretirement benefit plans:

Change in Benefit Obligation (in millions)	Year Ended December 31,			
	2008	2007	2008	2007
	Pension Benefits		Postretirement Benefits	
Benefit obligation, beginning of period	\$535	\$512	\$10	\$11
Service cost	35	34	1	1
Interest cost	34	30	1	1
Actuarial loss/(gain)	55	(33)	1	(2)
Benefits paid	(10)	(9)	(1)	(1)
Cumulative translation adjustments	(1)	1	—	—
Benefit obligation, end of period	<u>\$648</u>	<u>\$535</u>	<u>\$12</u>	<u>\$10</u>

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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Change in Plan Assets (in millions)	Year Ended December 31,			
	2008		2007	
	Pension Benefits		Postretirement Benefits	
Fair value of plan assets, beginning of period	\$ 312	\$265	\$—	\$—
Actual return on plan assets	(114)	12	—	—
Employer contributions	44	43	1	1
Benefits paid	(10)	(9)	(1)	(1)
Cumulative translation adjustments	(1)	1	—	—
Fair value of plan assets, end of period	<u>\$ 231</u>	<u>\$312</u>	<u>\$—</u>	<u>\$—</u>

Funded status (in millions)	December 31,			
	2008		2007	
	Pension Benefits		Postretirement Benefits	
Funded status <sup>(1)</sup>	\$(417)	\$(223)	\$(12)	\$(10)

(1) These unfunded amounts are included in *Other liabilities – noncurrent* in the Consolidated Balance Sheets.

**Additional Information**

*Accumulated Benefit Obligation*

The Company's pension plans have an accumulated benefit obligation in excess of plan assets as set forth below:

Accumulated Benefit Obligation (in millions)	December 31,	
	2008	2007
Projected benefit obligation	\$648	\$535
Accumulated benefit obligation	\$553	\$466
Fair value of plan assets	\$231	\$312

*Net Periodic Benefit Costs*

Net periodic benefit cost for the Company under Viacom's pension and postretirement benefit plans consists of the following:

Net Periodic Benefit Costs (in millions)	Year Ended December 31,					
	2008			2007		
	Pension Benefits			Postretirement Benefits		
Service cost	\$ 35	\$ 34	\$ 32	\$1	\$1	\$1
Interest cost	34	30	28	1	1	1
Expected return on plan assets	(27)	(21)	(17)	—	—	—
Recognized actuarial loss	3	3	6	—	—	—
Total periodic benefit costs	<u>\$ 45</u>	<u>\$ 46</u>	<u>\$ 49</u>	<u>\$2</u>	<u>\$2</u>	<u>\$2</u>

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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The items not yet recognized as a component of net periodic pension cost are:

Unrecognized Pension Cost (in millions)	Year Ended December 31,			
	2008	2007	2008	2007
	Pension Benefits		Postretirement Benefits	
Unrecognized prior service cost	\$ 1	\$ 1	\$—	\$—
Unrecognized actuarial loss	246	53	1	—
<b>Total</b>	<b>\$247</b>	<b>\$54</b>	<b>\$ 1</b>	<b>\$—</b>

The amounts recognized in *Other comprehensive loss* during the year are:

Other Comprehensive Loss (in millions)	Year Ended December 31,	
	2008	2008
	Pension Benefits	Postretirement Benefits
Net actuarial loss	\$196	\$ 1
Recognized actuarial loss	(3)	—
<b>Total loss recognized in other comprehensive income (before tax effects)</b>	<b>\$193</b>	<b>\$ 1</b>

The amounts in *Accumulated other comprehensive (loss) income* that are expected to be recognized as components of net periodic benefit cost during 2009 are as follows:

(in millions)	Pension	Postretirement	Total
Actuarial loss	\$21	\$—	\$21

Key Assumptions	Year Ended December 31,			
	2008	2007	2008	2007
	Pension Benefits		Postretirement Benefits	
<b>Weighted-average assumptions – benefit obligations</b>				
Discount rate	6.00%	6.25%	6.00%	6.25%
Rate of compensation increase	4.00%	4.00%	N/A	N/A
<b>Weighted-average assumptions – net periodic costs</b>				
Discount rate	6.25%	6.00%	6.25%	6.00%
Expected long-term return on plan assets	8.00%	8.00%	N/A	N/A
Rate of compensation increase	4.00%	4.00%	N/A	N/A

Two key assumptions used in accounting for pension liabilities and expenses are the discount rate and expected rate of return on plan assets. The discount rate reflects the estimated rate at which the pension benefit obligations could effectively be settled. The Company used investment grade corporate bond yields to support its discount rate assumption. The expected long-term returns on plan assets were based upon the target asset allocation and return estimates for equity and debt securities. The expected rate of return for equities was based upon the risk-free rate plus a premium for equity securities. The expected return on debt securities was based upon an analysis of current and historical yields on portfolios of similar quality and duration. A decrease in the discount rate or a

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decrease in the expected rate of return on plan assets would increase pension expense. The estimated impact of a 25 basis point change in the discount rate would be a change of approximately \$2 million on 2008 pension expense and would change the projected benefit obligation by approximately \$20 million. The estimated impact of a 25 basis point change in the expected rate of return on plan assets is a change of approximately \$1 million on pension expense.

The following assumptions were also used in accounting for postretirement benefits:

Key Assumptions for Postretirement Benefits	2008	2007
Projected health care cost trend rate for participants age 65 and below	9.00%	9.00%
Projected health care cost trend rate for participants above age 65	10.00%	10.00%
Ultimate trend rate	5.00%	5.00%
Year ultimate trend rate is achieved for participants age 65 and below	2017	2016
Year ultimate trend rate is achieved for participants above age 65	2019	2018

Although not expected to be significant to the Company's Consolidated Financial Statements, the assumed health care cost trend rates could have a significant effect on the specific amounts reported for the postretirement health care plan. A one percentage point change in assumed health care cost trend rates would not have any significant impact on the Company's total service interest cost and accumulated postretirement benefit obligation.

*Asset Allocation*

The asset allocations for the Company under Viacom's retirement benefit trusts for the qualified pension benefit plans are based upon an analysis of the timing and amount of projected benefit payments, the expected returns and risk of the asset classes and the correlation of those returns. The investment policy and allocation of assets is approved by the Company's Investments Committee, which has oversight for the Company's retirement plans. The Company's practice is to review asset allocations on a quarterly basis with its investment managers. The range of target asset allocations under the Company's investment policy are 55-75% equity securities, 25-40% debt securities and 0-10% in cash and other instruments.

The percentage of asset allocations of the Company's pension plans at December 31, 2008 and 2007, by asset category were as follows:

Asset Allocations of Pension Plans	December 31,	
	2008	2007
Equity securities	61%	66%
Debt securities	39	33
Cash and other	—	1
Total	<u>100%</u>	<u>100%</u>

Viacom Class B common stock represents approximately 2.2% and 3.8% of the plan assets fair values at December 31, 2008 and 2007, respectively.

*Future Benefit Payments and Contributions*

The estimated future benefit payments are as follows:

Future Benefit Payments (in millions)	2009	2010	2011	2012	2013	2014 – 2018
Pension benefits	\$12	\$13	\$14	\$17	\$18	\$128
Postretirement benefits	\$ 1	\$ 1	\$ 1	\$ 1	\$ 1	\$ 6

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The Company expects to contribute approximately \$100 million to the pension plans in 2009.

*Other Pension Plans*

Certain employees of the Company under collective bargaining agreements participate in union-sponsored multi-employer plans to which Viacom is obligated to contribute. These plans provide pension and health and welfare benefits. The contributions to these plans were \$3 million and \$5 million in 2008 and 2007, respectively. In addition, Viacom has defined contribution plans for the benefit of substantially all the Company's employees meeting certain eligibility requirements. Viacom and Former Viacom contributions to such plans were \$18 million, \$17 million and \$15 million for the years ended December 31, 2008, 2007 and 2006, respectively.

**NOTE 15. RESTRUCTURING AND OTHER CHARGES**

To better align the Company's organization and cost structure with current economic conditions, the Company undertook a strategic review of its businesses in the fourth quarter of 2008 which resulted in an aggregate of \$454 million of restructuring and other charges. In addition to broad adverse economic conditions, the fourth quarter strategic review considered the emergence of sustained softness in the advertising market and ratings issues at certain channels in the *Media Networks* segment, and the *Filmed Entertainment* segment's decision to reduce its future film slate.

The December 2008 restructuring plan included workforce reductions of 890 positions across its domestic and international operations and resulted in an associated restructuring charge of \$103 million. The charge includes \$80 million for severance, principally consisting of one-time benefits for terminated employees and \$23 million related to lease termination costs. The plan was substantially completed in 2008 and is expected to involve cash payments of approximately \$92 million, of which \$7 million was paid in 2008. At December 31, 2008, the remaining liability is \$85 million.

In conjunction with the strategic review, the Company also assessed the effectiveness of its programming and motion pictures not yet released. As a result of the assessment, the *Media Networks* segment recorded a charge of \$286 million principally related to management's decision to cease use of certain acquired and original programming which was no longer achieving desired audience levels and/or branding objectives. The charge reflects the acceleration of amortization of such programming into the fourth quarter consistent with the decision to discontinue airing of the respective programs subsequent to the fourth quarter of 2008. The *Filmed Entertainment* segment recorded a charge of \$19 million primarily related to pre-release write downs related to certain completed but not yet released films produced under the Paramount Vantage label. As a result of the restructuring, management changed its release strategy for these films, resulting in future revenue estimates falling below their cost.

In addition to the above, \$32 million of impairment charges were taken related primarily to finite-lived broadcast licenses in the *Media Networks* segment. One of the licenses was abandoned due to a change in strategy of distribution in a foreign territory and others became impaired due to a sustained deterioration in the advertising markets that supported the broadcast licenses. The fair value of these licenses was determined utilizing a discounted cash flow income approach model. The *Filmed Entertainment* segment also incurred \$14 million of charges principally related to the abandonment of certain film development rights.

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The components of the 2008 restructuring and other charges by segment are as follows:

2008 Restructuring and Other Charges (in millions)	Media Networks	Filmed Entertainment	Corporate	Total
Severance and lease termination costs	\$ 71	\$29	\$3	\$103
Programming and film inventory	286	19	—	305
Asset impairments and other	32	14	—	46
Total	<u>\$389</u>	<u>\$62</u>	<u>\$3</u>	<u>\$454</u>

The components of the 2008 restructuring and other charges are included in the Consolidated Statement of Earnings as follows:

2008 Restructuring and Other Charges (in millions)	Operating	Selling, General and Administrative	Depreciation and Amortization	Total
Severance and lease termination costs	\$ —	\$94	\$ 9	\$103
Programming and film inventory	305	—	—	305
Asset impairments and other	14	—	32	46
Total	<u>\$319</u>	<u>\$94</u>	<u>\$41</u>	<u>\$454</u>

In the first quarter of 2007, MTV Networks commenced restructuring actions affecting its domestic and international operations. Restructuring charges, principally severance, of \$77 million were incurred for the year ended December 31, 2007, and have been included within selling, general and administrative expenses. During 2008, approximately \$18 million was paid out under the plan and the remaining liability is \$3 million as of December 31, 2008.

During 2006, the Company's President and Chief Executive Officer and Executive Vice President and Chief Financial Officer resigned. As a result, and in accordance with the terms of their employment and separation agreements, the Company incurred aggregate separation charges of approximately \$72 million with respect to the resignation of the President and Chief Executive Officer, including \$10 million of stock based compensation as a result of the accelerated vesting of equity awards previously granted and \$11 million, including \$2 million of stock based compensation as a result of the accelerated vesting of equity awards previously granted, with respect to the resignation of the Executive Vice President and Chief Financial Officer. These charges, net, have been included within Corporate in *Selling, general and administrative* expenses. Also in 2006, severance charges of \$15 million were incurred in the *Media Networks* segment as a result of the restructuring of certain international operations. During 2008, approximately \$13 million was paid out under the plan with a remaining liability of \$11 million at December 31, 2008.

Payments of \$7 million were made in 2008 related to plans initiated prior to 2006, and adjustments to amounts accrued associated with such plans resulted in revisions of \$(3) million to the initial charge, with a remaining liability of \$6 million at December 31, 2008.

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The restructuring charges gave rise to certain future liabilities, the components of which are detailed below for the three years ended December 31, 2008:

Restructuring Liability (in millions)	Media Networks	Filmed Entertainment	Corporate	Total
<b>Balance at December 31, 2005</b>	\$ 52	\$ 23	\$ —	\$ 75
Additions	15	—	83	98
Severance payments	(26)	(22)	(3)	(51)
Lease payments	(1)	—	—	(1)
Other payments	(5)	—	—	(5)
Revisions to initial estimates	(6)	(1)	—	(7)
<b>Balance at December 31, 2006</b>	29	—	80	109
Additions	77	—	—	77
Severance payments	(59)	—	(47)	(106)
Lease payments	(3)	—	—	(3)
Other payments	(7)	—	(9)	(16)
<b>Balance at December 31, 2007</b>	37	—	24	61
Additions	65	27	—	92
Severance payments	(28)	(4)	(13)	(45)
Revisions to initial estimates	(3)	—	—	(3)
<b>Balance at December 31, 2008</b>	<u>\$ 71</u>	<u>\$ 23</u>	<u>\$ 11</u>	<u>\$ 105</u>

**NOTE 16. INCOME TAXES**

Earnings from continuing operations before provision for income taxes consists of the following:

Pre-tax Earnings from Continuing Operations (in millions)	Year Ended December 31,		
	2008	2007	2006
United States	\$1,451	\$2,143	\$1,980
International	404	437	341
Pre-tax earnings from continuing operations	<u>\$1,855</u>	<u>\$2,580</u>	<u>\$2,321</u>

The provision for income taxes from continuing operations consists of the following:

Provision for Income Taxes from Continuing Operations (in millions)	Year Ended December 31,		
	2008	2007	2006
Current Provision for Taxes on Income:			
Federal	\$328	\$621	\$436
State and local	96	129	80
International	167	146	71
Total current provision for income taxes	591	896	587
Deferred provision for income taxes	14	33	153
Provision for income taxes	<u>\$605</u>	<u>\$929</u>	<u>\$740</u>

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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A reconciliation of the effective income tax rate on continuing operations to the U.S. federal statutory income tax rate is as follows:

Effective Tax Rate	Year Ended December 31,		
	2008	2007	2006
U.S. federal statutory income tax rate	35.0%	35.0%	35.0%
State and local taxes, net of federal benefit	3.4	3.5	3.8
Effect of international operations	(3.8)	(1.6)	(0.4)
Audit settlements	(2.4)	(0.6)	(6.1)
All other, net	0.4	(0.3)	(0.4)
Effective tax rate, continuing operations	<u>32.6%</u>	<u>36.0%</u>	<u>31.9%</u>

During 2008, 2007 and 2006, the Company effectively settled certain tax positions resulting in the release of tax reserves of \$55 million, \$15 million and \$142 million, respectively, and served to reduce the provision for income taxes for those years.

The tax effects of the items recorded as deferred tax assets and liabilities are:

Deferred Taxes (in millions)	December 31,	
	2008	2007
<b>Deferred Tax Assets:</b>		
Provision for expense and losses	\$ 458	\$ 427
Postretirement and other employee benefits	238	248
Tax credit and loss carryforwards	133	154
All other	198	108
Total deferred tax assets	1,027	937
Valuation allowance	(108)	(126)
Total deferred tax assets, net	\$ 919	\$ 811
<b>Deferred Tax Liabilities:</b>		
Property, equipment and intangible assets	\$ (626)	\$ (578)
All other	(102)	(90)
Total deferred tax liabilities	(728)	(668)
Deferred taxes, net	<u>\$ 191</u>	<u>\$ 143</u>

The Company has recorded valuation allowances for certain deferred tax assets, which are primarily related to foreign jurisdictions, as sufficient uncertainty exists regarding the future realization of these assets. During 2008 and 2007, the Company reduced \$18 million and \$8 million, respectively, of valuation allowances primarily attributable to loss carryforwards resulting from utilizations and certain other adjustments.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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At December 31, 2008 and 2007, respectively, the deferred tax assets and liabilities included as a component of the Company's Consolidated Balance Sheets were as follows:

Deferred Tax Assets (in millions)	December 31,	
	2008	2007
Current deferred tax assets, net	\$203	\$ 248
Noncurrent deferred tax liabilities, net	(12)	(105)
Deferred tax assets, net	<u>\$191</u>	<u>\$ 143</u>

U.S. federal tax attribute carryforwards at December 31, 2008, consist primarily of approximately \$87 million of acquired tax loss carryforwards. The utilization of the U.S. federal carryforwards as an available offset to future taxable income is subject to limitations under U.S. federal income tax laws. These carryforwards begin to expire in 2019. In addition, the Company has approximately \$181 million of tax losses in various foreign jurisdictions that are primarily from countries with unlimited carry forward periods and \$117 million of tax losses that expire in the years 2009 through 2016.

As of December 31, 2008, the Company has not made any provision for income taxes on approximately \$846 million of unremitted earnings of the Company's international subsidiaries. These earnings are intended to be permanently reinvested outside the U.S.

A reconciliation of the beginning and ending amounts of unrecognized tax benefits, excluding interest and penalties, is as follows:

Unrecognized Tax Benefits (in millions)	Year Ended December 31,	
	2008	2007
Balance at beginning of the period	\$342	\$314
Gross additions based on tax positions related to the current year	57	31
Gross additions for tax positions of prior years	22	61
Gross reductions for tax positions of prior years	(70)	(53)
Expiration of the statute of limitation	—	(11)
Balance at end of the period	<u>\$351</u>	<u>\$342</u>

As enumerated in the table above, the Company had \$351 million and \$342 million of unrecognized tax benefits for the years ended December 31, 2008 and 2007, respectively. The total amount of unrecognized tax benefits at December 31, 2008, that if recognized would favorably affect the effective tax rate is approximately \$300 million.

As discussed in Note 2, the Company recognizes interest and penalties accrued related to unrecognized tax benefits as a component of the provision for income taxes. The Company recognized \$17 million and \$7 million of interest and penalties as a component of income tax expense for the years ended December 31, 2008 and 2007, respectively. The Company has accruals of \$111 million and \$94 million related to interest and penalties recorded as a component of *Other liabilities current* and *non-current* for the years ended December 31, 2008 and 2007, respectively.

**VIACOM INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

The Company and its subsidiaries file income tax returns with the Internal Revenue Service (“IRS”) and various state and international jurisdictions. For jurisdictions in which tax filings are prepared, with few exceptions, the Company is no longer subject to income tax examinations by state, local or international tax authorities for years through 2000, and by the IRS for years through 2003. For years ending on or prior to December 31, 2005, the Company filed a consolidated tax return with CBS Corporation. The IRS commenced its examination of the Viacom and CBS Corporation U.S. consolidated tax returns for 2004 and 2005 in the fourth quarter of 2006. In connection with the separation and pursuant to the terms of the Tax Matters Agreement, Viacom and CBS Corporation agreed to each be financially responsible for 50% of any potential liabilities that arose in 2005 or earlier, to the extent such potential liabilities were not directly attributable to their respective business operations. As such, Viacom does not control the manner or timing of resolution of potential liabilities that may pertain to CBS Corporation. The Company also received communication in December 2008 of the IRS’ intention to begin its examination of the Company’s 2006 and 2007 U.S. consolidated federal income tax returns in the first quarter of 2009. Tax authorities are also conducting examinations of Viacom subsidiaries in various international jurisdictions, such as the United Kingdom and various states, including New York. Due to potential resolution of unrecognized tax disputes involving multiple tax periods and jurisdictions, it is reasonably possible that a reduction of up to \$170 million of unrecognized tax benefits may occur within 12 months, some of which, depending on the nature of the settlement may affect the Company’s income tax provision and therefore benefit the resulting effective tax rate. The majority of these uncertain tax positions, when recognized in the financial statements, would be recorded in the statement of operations as part of the income tax provision. The actual amount could vary significantly depending on the ultimate timing and nature of any settlements.

**NOTE 17. RELATED PARTY TRANSACTIONS**

NAI, through NAIRI, Inc., is the controlling stockholder of both Viacom and CBS Corporation. NAI also held a controlling interest in Midway until November 28, 2008. Sumner M. Redstone, Chairman, Chief Executive Officer and controlling shareholder of NAI, is the Executive Chairman of the Board and Founder of Viacom and CBS Corporation. In addition, Shari Redstone, who is Sumner Redstone’s daughter, is the President of NAI and the Vice Chair of the Board of Viacom and CBS Corporation. Philippe Dauman, the Company’s President and Chief Executive Officer, and George Abrams, one of the Company’s directors, serve on the boards of both NAI and Viacom. Fred Salerno, one of the Company’s directors, serves on the board of both Viacom and CBS Corporation.

NAI licenses films in the ordinary course of business for its motion picture theaters from all major studios, including Paramount. During the years ended December 31, 2008, 2007 and 2006, Paramount earned revenues from NAI in connection with these licenses in the aggregate amounts of approximately \$36 million, \$36 million, and \$14 million, respectively.

For information on NAI and NAIRI’s participation in the Company’s stock repurchase program through October 10, 2008, see Note 12.

*Viacom and CBS Corporation Related Party Transactions*

The Company, in the normal course of business, is involved in transactions with CBS Corporation and its various businesses (“CBS”) that result in the recognition of revenue and expense by Viacom. Transactions with CBS, through the normal course of business, are settled in cash.

Paramount distributes certain television products into the home entertainment market on behalf of CBS. Effective January 1, 2008, Viacom entered into a new distribution agreement with CBS under which revenue and expenses are recorded on a gross basis. Under the terms of the agreement, Paramount is entitled to retain a fee based on a

**VIACOM INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

percentage of gross receipts and is generally responsible for all out-of-pocket costs which are recoupable, together with the annual advance due to CBS, prior to any participation payments to CBS. In connection with this agreement, Paramount made initial payments of \$100 million to CBS during each of the first quarters of 2008 and 2009. Paramount also leases studio space to CBS and licensed motion picture products released before January 1, 2008 to CBS. Additionally, the *Media Networks* segment recognizes advertising revenues from CBS.

The *Media Networks* segment purchases television programming from CBS. The cost of such purchases is initially recorded as acquired program rights inventory and amortized over the estimated period that revenues will be generated. Both of the Company's segments place advertisements with CBS.

The following table summarizes the transactions with CBS as included in the Company's Consolidated Financial Statements:

(in millions)	Year Ended December 31,		
	2008	2007	2006
<b>Consolidated Statements of Earnings</b>			
Revenues	\$506	\$244	\$257
Operating expenses	\$561	\$185	\$167
Discontinued operations	\$ —	\$ (5)	\$ (3)
	<b>December 31,</b>		
	<b>2008</b>	<b>2007</b>	
<b>Consolidated Balance Sheets</b>			
Accounts receivable	\$ 61	\$ 87	
Other assets	16	22	
Total due from CBS Corporation	\$ 77	\$109	
Accounts payable	\$ 6	\$ 3	
Participants' share, residuals and royalties payable	160	177	
Programming rights, current	156	98	
Other liabilities	255	177	
Total due to CBS Corporation	\$577	\$455	

*Separation Related Agreements with CBS Corporation*

In accordance with the terms of the Separation Agreement, in December 2005, the Company paid a preliminary special dividend to Former Viacom of \$5.400 billion subject to adjustment. In 2006 and 2007, the Company made further payments of \$206 million and \$170 million, respectively, to CBS Corporation in final resolution of the adjustments.

Upon completion of the combined federal income tax return of Former Viacom in 2006, the Company received \$159 million of cash from CBS Corporation, representing the Company's share of tax overpayments made by Former Viacom during 2005 and established \$41 million of deferred tax benefits primarily related to the timing of tax deductions for separation costs incurred. The Company has reflected \$188 million of cash proceeds and future tax deductions to be taken as additional paid-in capital in 2006. In addition to the aforementioned matters, there were other related party adjustments with Former Viacom in 2006 pertaining to the separation which were reflected as a net capital contribution from CBS Corporation of \$87 million.

**VIACOM INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

*401(k) Plan Transactions*

Following the separation, some participants in the Viacom 401(k) Plan continued to be invested in CBS Corporation Class A and Class B common stock. In 2007, CBS Corporation purchased the shares of CBS Corporation Class A and Class B common stock from the Viacom 401(k) Plan for total proceeds of \$30 million.

Similarly, some participants in the 401(k) plans sponsored by CBS Corporation continued to be invested in Viacom Class A and Class B common stock following the separation. In 2007, the Company purchased the shares of Viacom Class A and Class B common stock from the CBS-sponsored 401(k) plans for an aggregate amount of \$120 million.

*Other Related Party Transactions*

In the normal course of business, the Company is involved in related party transactions with equity investees, principally related to investments in unconsolidated variable interest entities as more fully described in Note 5. These related party transactions primarily relate to the provision of advertising services, licensing of film and programming content and the distribution of films for which the impact on the Company's Consolidated Financial Statements is as follows:

(in millions)	Year Ended December 31,		
	2008	2007	2006
<b>Consolidated Statements of Earnings</b>			
Revenues	\$408	\$484	\$398
Operating expenses	\$249	\$393	\$280
<b>Consolidated Balance Sheets</b>			
Accounts receivable	\$ 88	\$ 39	
Accounts payable	\$ 25	\$ 18	
Participants' share, residuals and royalties payable	58	96	
Other liabilities	55	54	
Long-term debt	136	170	
Total due to other related parties	\$274	\$338	

All other related party transactions, including with Midway, are not material in the periods presented.

**NOTE 18. COMMITMENTS AND CONTINGENCIES***Commitments*

The Company's commitments primarily consist of programming and talent commitments, operating lease arrangements, purchase obligations for goods and services, contingent consideration for acquisitions, and future funding commitments related to certain equity investments. These arrangements result from the Company's normal course of business and represent obligations that are payable over several years.

Programming and talent commitments of the Company not recorded on the balance sheet, which aggregate approximately \$1.191 billion as of December 31, 2008, included \$989 million relating to cable programming, feature film production and feature film acquisitions, and \$202 million for talent contracts. A majority of such fees are payable over several years, as part of the normal course of business. At December 31, 2008, the Company had recorded, on the balance sheet, programming commitments of \$1.005 billion. Amounts expected to

**VIACOM INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

be paid over the next five years are as follows: \$384 million, \$292 million, \$204 million, \$88 million and \$37 million.

The Company has long-term noncancelable operating and capital lease commitments for office space and equipment, transponders, studio facilities and vehicles. At December 31, 2008, minimum rental payments under noncancelable leases are as follows:

Noncancelable Lease Commitments (in millions)	Capital	Operating
2009	\$ 50	\$ 183
2010	38	149
2011	29	140
2012	25	134
2013	11	126
2014 and thereafter	59	437
Total minimum payments	<u>\$212</u>	<u>\$1,169</u>
Amounts representing interest	(39)	
Total	<u>\$173</u>	

Future minimum operating lease payments have been reduced by future minimum sublease income of \$26 million. Rent expense amounted to \$184 million in 2008, \$175 million in 2007 and \$161 million in 2006.

The Company also has purchase obligations which include agreements to purchase goods or services in the future that totaled \$559 million as of December 31, 2008.

The Company has obligations to pay contingent consideration for certain acquisitions and is subject to a put option in respect of DW Funding which is further described in Note 4. Additionally, the Company has future funding commitments related to certain equity investments as more fully described in Note 5.

#### *Guarantees*

In the course of its business, the Company both provides and receives the benefit of indemnities that are intended to allocate certain risks associated with business transactions. The Company guarantees debt on certain of our unconsolidated investments, including principal and interest, of approximately \$242 million at December 31, 2008 and has accrued a liability of \$55 million in respect of such exposures. The Company's guarantees principally relate to its investment in DW Funding, as more fully described in Note 5. At December 31, 2008, the fair value of the Company's guarantee in DW Funding approximates \$53 million and is reflected as a component of *Other liabilities—noncurrent* in the Consolidated Balance Sheets.

At December 31, 2008, the Company's aggregate guarantee related to lease commitments of divested businesses, primarily Blockbuster Inc. ("Blockbuster") and Famous Players, was \$1.003 billion with a recorded liability of \$245 million, reflecting the estimated fair value of the guarantees at their inception, including certain assumed renewals, which may or may not occur. Based on the Company's consideration of financial information available to it, the lessees' performance in meeting their lease obligations, the underlying economic factors impacting the lessees' business models and where applicable, letters of credit on the Company's behalf, the Company believes its accrual is sufficient to meet any future obligations. Blockbuster has agreed to indemnify Former Viacom with respect to any amount paid under these guarantees. In the third quarter of 2008, the Company and Blockbuster agreed to reduce the amount of Blockbuster's letters of credit, which secure Blockbuster's indemnification

**VIACOM INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

obligations, from \$150 million to \$75 million. At December 31, 2008, \$90 million of letters of credit were still in place. Additionally, in connection with the separation, the Company agreed to indemnify Former Viacom with respect to certain theater lease obligations associated with Famous Players which Former Viacom sold in 2005.

Finally, the Company has indemnification obligations with respect to letters of credit and surety bonds primarily used as security against non-performance in the normal course of business. The outstanding letters of credit and surety bonds at December 31, 2008 were \$148 million and are not recorded on the balance sheet.

*Legal Matters*

Litigation is inherently uncertain and always difficult to predict. However, based on the Company's understanding and evaluation of the relevant facts and circumstances, the Company believes that the legal matters described below and other litigation to which the Company is a party are not likely, in the aggregate, to have a material adverse effect on its results of operations, financial position or cash flows.

In March 2007, the Company filed a complaint in the United States District Court for the Southern District of New York against Google Inc. ("Google") and its wholly-owned subsidiary YouTube, alleging that Google and YouTube violated and continue to violate the Company's copyrights. The Company is seeking both damages and injunctive relief, and the lawsuit is currently in discovery.

In September 2007, Brantley, et al. v. NBC Universal, Inc., et al., was filed in the United States District Court for the Central District of California against the Company and several other program content providers on behalf of a purported nationwide class of cable and satellite subscribers. The plaintiffs also sued several major cable and satellite program distributors. Plaintiffs allege that separate contracts between the program providers and the cable and satellite operator defendants providing for the sale of programming in specific tiers each unreasonably restrain trade in a variety of markets in violation of the Sherman Act. In March 2008, the court granted the defendants' motion to dismiss the plaintiffs' First Amended Complaint. The plaintiffs subsequently filed a Second Amended Complaint seeking, among other things, treble monetary damages in an unspecified amount and an injunction to compel the offering of channels on an "à la carte" basis. In September 2008, the defendants' motion to dismiss the Second Amended Complaint was denied. The defendants' appeal of that ruling was also denied and the lawsuit is now in discovery. The Company believes the plaintiffs' position in this litigation is without merit and intend to continue to vigorously defend this lawsuit.

Concluded Litigation

Former Viacom and NAI, and certain of their respective present and former officers and directors, were defendants in a state law action in the Court of Chancery of Delaware relating to the 2004 split-off of Blockbuster from Former Viacom pursuant to an exchange offer. The plaintiff's complaint in the Delaware action was dismissed in February 2008 and its appeal was argued before the Supreme Court of Delaware, which affirmed the dismissal in January 2009. Two other lawsuits arising from the same facts as the Delaware action were dismissed in 2007 and 2008.

**VIACOM INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

**NOTE 19. SUPPLEMENTAL CASH FLOW AND OTHER INFORMATION**

Supplemental Cash Flow Information (in millions)	Year Ended December 31,		
	2008	2007	2006
Cash paid for interest <sup>(1)</sup>	\$ 495	\$ 469	\$ 433
Cash paid for income taxes <sup>(1)</sup>	\$ 741	\$ 826	\$ 640
<b>Non-cash investing and financing activities:</b>			
Equipment acquired under capitalized leases	\$ 10	\$ —	\$ 19
Investments with joint ventures, including note payable, net of discount	\$ 4	\$ 190	\$ —
<b>Acquisitions:</b>			
Fair value of assets acquired	\$ 176	\$ 15	\$ 3,117
Fair value of liabilities assumed	(90)	—	(1,685)
Minority interests	(11)	—	(16)
Cash paid, net of cash acquired <sup>(2)</sup>	\$ 75	\$ 15	\$ 1,416
<b>Receivable Securitization Arrangements:</b>			
Receivable interests sold to investors at beginning of the period	\$ 950	\$ 950	\$ 450
Increase in securitization programs	—	—	500
Proceeds from the sale of receivables	3,946	3,841	2,288
Cash interest paid	36	55	24
Cash remitted	(3,982)	(3,896)	(2,312)
Receivable interests sold to investors at end of the period	\$ 950	\$ 950	\$ 950

(1) Amounts also include cash payments for discontinued operations.

(2) Excludes a \$150 million earn-out payment in 2008. See Note 4 for additional information.

Cash paid for taxes for the year ended December 31, 2006 does not include \$159 million received from CBS Corporation in respect of the Company's 2005 federal tax refund.

Interest Expense, net (in millions)	Year Ended December 31,		
	2008	2007	2006
Interest expense	\$(514)	\$(487)	\$(471)
Interest income	32	23	29
Interest expense, net	\$(482)	\$(464)	\$(442)

Other Items, net (in millions)	Year Ended December 31,		
	2008	2007	2006
Loss on securitization programs	\$ (34)	\$(55)	\$(32)
Foreign exchange (loss) gain	(50)	42	17
Impairment of minority investments	(27)	(36)	—
Other (loss) income	(1)	6	1
Other items, net	\$(112)	\$(43)	\$(14)

**NOTE 20. REPORTING SEGMENTS**

The following tables set forth the Company's financial performance by reporting segment. The Company's reporting segments have been determined in accordance with the Company's internal management structure. The Company manages its operations through two reporting segments: (i) *Media Networks* and (ii) *Filmed Entertainment*. Typical intersegment transactions include the purchase of advertising by the *Filmed*

**VIACOM INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

Entertainment segment on *Media Networks*' properties and the purchase of *Filmed Entertainment*'s feature films exhibition rights by *Media Networks*. The elimination of such intercompany transactions in the consolidated financial statements is included within eliminations in the table below. Operating income is used as the measure of segment profit performance.

Revenues by Segment (in millions)	Year Ended December 31,		
	2008	2007	2006
Media Networks	\$ 8,756	\$ 8,101	\$ 7,241
Filmed Entertainment	6,033	5,476	4,274
Eliminations	(164)	(154)	(154)
Total revenues	<u>\$14,625</u>	<u>\$13,423</u>	<u>\$11,361</u>

Operating Income and Earnings from Continuing Operations (in millions)	Year Ended December 31,		
	2008	2007	2006
Media Networks	\$2,729	\$3,048	\$2,904
Filmed Entertainment	26	103	132
Total segment operating income	2,755	3,151	3,036
Corporate expenses	(234)	(219)	(269)
Eliminations	2	4	—
Operating income	2,523	2,936	2,767
Interest expense, net	(482)	(464)	(442)
Gain on sale of equity investment	—	151	—
Equity in (losses) earnings of investee companies	(74)	—	10
Other items, net	(112)	(43)	(14)
Earnings from continuing operations	<u>\$1,855</u>	<u>\$2,580</u>	<u>\$2,321</u>

Depreciation and Amortization and Total Assets (in millions)	Depreciation and Amortization			Total Assets	
	Year Ended December 31,			December 31,	
	2008	2007	2006	2008	2007
Media Networks	\$274	\$276	\$270	\$15,784	\$15,713
Filmed Entertainment	108	99	82	6,001	6,194
Corporate/Eliminations	23	18	13	702	997
Total	<u>\$405</u>	<u>\$393</u>	<u>\$365</u>	<u>\$22,487</u>	<u>\$22,904</u>

Capital Expenditures (in millions)	Year Ended December 31,		
	2008	2007	2006
Media Networks	\$208	\$132	\$137
Filmed Entertainment	78	82	57
Corporate	2	23	15
Total capital expenditures	<u>\$288</u>	<u>\$237</u>	<u>\$209</u>

**VIACOM INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

Information regarding the Company's revenues by component is as follows:

Revenues by Component (in millions)	Year Ended December 31,		
	2008	2007	2006
Advertising	\$ 4,722	\$ 4,690	\$ 4,346
Feature film	5,771	5,253	4,104
Affiliate fees	2,620	2,339	2,050
Ancillary	1,676	1,295	1,015
Eliminations	(164)	(154)	(154)
Total revenues	<u>\$14,625</u>	<u>\$13,423</u>	<u>\$11,361</u>

Information regarding the Company's operations by geographic area is as follows:

Operations by Geographic Area (in millions)	Revenues <sup>(1)</sup>			Long-lived assets <sup>(2)</sup>	
	Year Ended December 31,			December 31,	
	2008	2007	2006	2008	2007
United States	\$10,371	\$ 9,743	\$ 8,641	\$16,241	\$16,027
Europe	2,728	2,319	1,700	1,044	1,505
All other	1,526	1,361	1,020	442	197
Total	<u>\$14,625</u>	<u>\$13,423</u>	<u>\$11,361</u>	<u>\$17,727</u>	<u>\$17,729</u>

(1) Revenue classifications are based on customers' locations.

(2) Reflects total assets less current assets, deferred tax assets and investments.

Transactions within the Company between geographic areas are not significant.

**VIACOM INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

**NOTE 21. DISCONTINUED OPERATIONS**

*Discontinued operations, net of tax*, in 2008 principally reflects settlement adjustments arising from businesses previously sold. In July 2007, the Company completed the sale of Famous Music for \$355 million, which was previously included in the *Filmed Entertainment* reporting segment. Following the sale, the Company's continuing involvement with Famous Music is limited to certain license and distribution agreements that are not considered significant. The following table sets forth the Company's net gain (loss) attributable to Famous Music and adjustments to previously disposed businesses, including Famous Players and Blockbuster, which are presented as discontinued operations in the consolidated financial statements for all periods presented:

Discontinued Operations (in millions)	Famous Music	All Other	Total
<b>Year ended December 31, 2008</b>			
Pre-tax gain on disposal of discontinued operations	\$ 3	\$20	\$ 23
Income tax expense	(1)	(4)	(5)
Net income from discontinued operations	<u>\$ 2</u>	<u>\$16</u>	<u>\$ 18</u>
<b>Year ended December 31, 2007</b>			
Revenues from discontinued operations	\$ 72	\$—	\$ 72
Pre-tax income from discontinued operations	\$ 3	\$—	\$ 3
Gain on disposal of discontinued operations	320	22	342
Income from discontinued operations (before taxes)	323	22	345
Income tax expense	(125)	(12)	(137)
Net income from discontinued operations	<u>\$198</u>	<u>\$10</u>	<u>\$208</u>
<b>Year ended December 31, 2006</b>			
Revenues from discontinued operations	\$105	\$—	\$105
Pre-tax income (loss) from discontinued operations	\$ 4	\$—	\$ 4
Loss on disposal of discontinued operations	—	(20)	(20)
Income tax (expense) benefit	(1)	42	41
Net income from discontinued operations	<u>\$ 3</u>	<u>\$22</u>	<u>\$ 25</u>

**NOTE 22. PROPERTY AND EQUIPMENT**

Property and Equipment (in millions)	December 31,		Estimated Life
	2008	2007	(in years)
Land	\$ 245	\$ 245	—
Buildings	313	294	20 to 40
Capital leases	362	581	3 to 15
Equipment and other	<u>1,635</u>	<u>1,534</u>	3 to 15
Property and equipment	2,555	2,654	
Less accumulated depreciation	<u>(1,410)</u>	<u>(1,458)</u>	
Property and equipment, net	<u>\$ 1,145</u>	<u>\$1,196</u>	

Depreciation expense, including capitalized lease amortization, was \$264 million in 2008, \$250 million in 2007 and \$230 million in 2006. Amortization expense related to capital leases was \$48 million in 2008, \$64 million in 2007 and \$61 million in 2006. Accumulated amortization of capital leases was \$222 million at December 31, 2008 and \$329 million at December 31, 2007.

**VIACOM INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

**NOTE 23. QUARTERLY FINANCIAL DATA (unaudited):**

<b>2008</b> (in millions, except per share information)	<b>First</b>	<b>Second</b>	<b>Third</b>	<b>Fourth</b>	<b>Full Year</b>
Revenues	\$3,117	\$3,857	\$3,408	\$4,243	\$14,625
Operating income	\$ 567	\$ 792	\$ 689	\$ 475	\$ 2,523
Net earnings from continuing operations	\$ 270	\$ 406	\$ 385	\$ 172	\$ 1,233
Net earnings	\$ 270	\$ 407	\$ 401	\$ 173	\$ 1,251
Basic net earnings per share, continuing operations	\$ 0.42	\$ 0.65	\$ 0.62	\$ 0.28	\$ 1.97
Diluted net earnings per share, continuing operations	\$ 0.42	\$ 0.64	\$ 0.62	\$ 0.28	\$ 1.97
Basic net earnings per share	\$ 0.42	\$ 0.65	\$ 0.65	\$ 0.28	\$ 2.00
Diluted net earnings per share	\$ 0.42	\$ 0.65	\$ 0.65	\$ 0.28	\$ 2.00

<b>2007<sup>(1)</sup></b> (in millions, except per share information)	<b>First</b>	<b>Second</b>	<b>Third</b>	<b>Fourth</b>	<b>Full Year</b>
Revenues	\$2,718	\$3,186	\$3,271	\$4,248	\$13,423
Operating income	\$ 441	\$ 702	\$ 815	\$ 978	\$ 2,936
Net earnings from continuing operations	\$ 202	\$ 433	\$ 450	\$ 545	\$ 1,630
Net earnings	\$ 203	\$ 434	\$ 641	\$ 560	\$ 1,838
Basic net earnings per share, continuing operations	\$ 0.29	\$ 0.63	\$ 0.67	\$ 0.84	\$ 2.42
Diluted net earnings per share, continuing operations	\$ 0.29	\$ 0.63	\$ 0.67	\$ 0.83	\$ 2.41
Basic net earnings per share	\$ 0.29	\$ 0.63	\$ 0.96	\$ 0.86	\$ 2.73
Diluted net earnings per share	\$ 0.29	\$ 0.63	\$ 0.96	\$ 0.86	\$ 2.72

(1) Amounts for all periods presented have been adjusted for discontinued operations.

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### **Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.**

None.

#### **Item 9A. Controls and Procedures.**

##### *Evaluation of Disclosure Controls and Procedures*

We maintain “disclosure controls and procedures,” as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the “Exchange Act”), that are designed to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating our disclosure controls and procedures, management recognized that disclosure controls and procedures, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the disclosure controls and procedures are met. Additionally, in designing disclosure controls and procedures, our management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible disclosure controls and procedures. The design of any disclosure controls and procedures also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2008. Based on that evaluation, management has concluded that, as of such date, our disclosure controls and procedures were effective.

##### *Management’s Report on Internal Control over Financial Reporting*

Management’s Report on Internal Control over Financial Reporting is set forth on page 80.

The effectiveness of the Company’s internal control over financial reporting has been audited by PricewaterhouseCoopers, LLP an independent registered public accounting firm, as stated in their report, which is included herein on page 81.

##### *Changes in Internal Control Over Financial Reporting*

There were no changes in our internal control over financial reporting during the fiscal quarter ended December 31, 2008 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

#### **Item 9B. Other Information.**

None.

**PART III**

**Item 10. *Directors, Executive Officers and Corporate Governance.***

The information required by this item with respect to our directors and certain corporate governance practices is contained in our Proxy Statement for our 2009 Annual Meeting of Stockholders (the “Proxy Statement”) under the headings “Corporate Governance,” “Our Board of Directors,” “Item 1—Election of Directors” and “Section 16(a) Beneficial Ownership Reporting Compliance,” which information is incorporated herein by reference. The information required by this item with respect to our executive officers is (i) contained in the Proxy Statement under the headings “Corporate Governance” and “Section 16(a) Beneficial Ownership Reporting Compliance” and (ii) included in Part I of this Form 10-K under the caption “Our Executive Officers,” which information is incorporated herein by reference.

**Item 11. *Executive Compensation.***

The information required by this item is contained in the Proxy Statement under the headings “Executive Compensation,” “Compensation Committee Interlocks and Insider Participation” and “Compensation Committee Report,” which information is incorporated herein by reference.

**Item 12. *Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.***

The information required by this item is contained in the Proxy Statement under the headings “Equity Compensation Plan Information” and “Security Ownership of Certain Beneficial Owners and Management,” which information is incorporated herein by reference.

**Item 13. *Certain Relationships and Related Transactions, and Director Independence.***

The information required by this item is contained in the Proxy Statement under the headings “Related Person Transactions” and “Our Board of Directors,” which information is incorporated herein by reference.

**Item 14. *Principal Accounting Fees and Services.***

The information required by this item is contained in the Proxy Statement under the heading “Services Provided by the Independent Auditor and Fees Paid,” which information is incorporated herein by reference.

**PART IV**

**Item 15. Exhibits, Financial Statement Schedules.**

(a) 1. *Financial Statements.*

<a href="#">Management's Report on Internal Control over Financial Reporting</a>	80
<a href="#">Report of Independent Registered Public Accounting Firm</a>	81
<a href="#">Consolidated Statements of Earnings for the years ended December 31, 2008, 2007 and 2006</a>	82
<a href="#">Consolidated Balance Sheets as of December 31, 2008 and 2007</a>	83
<a href="#">Consolidated Statements of Cash Flows for the years ended December 31, 2008, 2007 and 2006</a>	84
<a href="#">Consolidated Statements of Stockholders' Equity and Comprehensive Income for the years ended December 31, 2008, 2007 and 2006</a>	85
<a href="#">Notes to Consolidated Financial Statements</a>	86

2. *Financial Statement Schedules.*

<a href="#">Schedule II. Valuation and Qualifying Accounts</a>	134
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All other Schedules are omitted since the required information is not present or is not present in amounts sufficient to require submission of the schedule.

3. *Exhibits.*

The exhibits listed in Item 15(b) of this Part IV are filed or incorporated by reference as part of this Form 10-K. The Index to Exhibits is on page 135.

(b) *Exhibits.*

The exhibits listed in Item 15(b) of this Part IV are filed or incorporated by reference as part of this Form 10-K. The Index to Exhibits is on page 135.



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<u>Signature</u>	<u>Title</u>	<u>Date</u>
* _____ Blythe J. McGarvie	Director	February 12, 2009
* _____ Charles E. Phillips, Jr.	Director	February 12, 2009
* _____ Frederic V. Salerno	Director	February 12, 2009
* _____ William Schwartz	Director	February 12, 2009
*By: /s/ MICHAEL D. FRICKLAS _____ Michael D. Fricklas <i>Attorney-in-Fact for the Directors</i>		February 12, 2009

## Item 15(a).

VIACOM INC.  
SCHEDULE II—VALUATION AND QUALIFYING ACCOUNTS

<u>(in millions)</u>	<u>Beginning of period</u>	<u>Acquired</u>	<u>Additions- expense and other</u>	<u>Deductions</u>	<u>End of period</u>
<b>Year ended December 31, 2008:</b>					
Allowance for doubtful accounts	\$102	\$ —	\$ 33	\$ (36)	\$ 99
Sales returns and allowances	\$706	\$ —	\$1,451	\$(1,328)	\$829
Inventory obsolescence reserves	\$107	\$ —	\$ 40	\$ (28)	\$119
<b>Year ended December 31, 2007:</b>					
Allowance for doubtful accounts	\$143	\$ —	\$ 13	\$ (54)	\$102
Sales returns and allowances	\$563	\$ —	\$1,210	\$(1,067)	\$706
Inventory obsolescence reserves	\$106	\$ —	\$ 13	\$ (12)	\$107
<b>Year ended December 31, 2006:</b>					
Allowance for doubtful accounts	\$139	\$ 13	\$ 51	\$ (60)	\$143
Sales returns and allowances	\$404	\$243	\$ 738	\$ (822)	\$563
Inventory obsolescence reserves	\$ 82	\$ —	\$ 26	\$ (2)	\$106

Item 15(b).

INDEX TO EXHIBITS

<u>Exhibit No.</u>	<u>Description of Exhibit</u>
3.1	Amended and Restated Certificate of Incorporation of Viacom Inc. effective December 31, 2005 (incorporated by reference to Exhibit 3.1 to the Annual Report on Form 10-K of Viacom Inc. filed March 16, 2006) (File No. 001-32686).
3.2	Amended and Restated Bylaws of Viacom Inc. effective December 31, 2005 (incorporated by reference to Exhibit 3.2 to the Annual Report on Form 10-K of Viacom Inc. filed March 16, 2006) (File No. 001-32686).
4.1	Indenture, dated as of April 12, 2006, between Viacom Inc. and The Bank of New York (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K of Viacom Inc. filed April 17, 2006) (File No. 001-32686).
4.2	First Supplemental Indenture, dated as of April 12, 2006, between Viacom Inc. and The Bank of New York, including Form of 5.75% Senior Note due 2011, Form of 6.25% Senior Note due 2016 and Form of 6.875% Senior Debenture due 2036 (incorporated by reference to Exhibit 4.2 to the Current Report on Form 8-K of Viacom Inc. filed April 17, 2006) (File No. 001-32686).
4.3	Second Supplemental Indenture, dated as of June 16, 2006, between Viacom Inc. and The Bank of New York, including Form of Floating Rate Senior Note due 2009 (incorporated by reference to Exhibit 4.4 to the Registration Statement on Form S-4 of Viacom Inc. filed August 21, 2006) (File No. 333-136756).
4.4	Third Supplemental Indenture, dated as of December 13, 2006, between Viacom Inc. and The Bank of New York, as trustee (including forms of Senior Notes) (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K of Viacom Inc. filed December 19, 2006) (File No. 001-32686).
4.5	Fourth Supplemental Indenture, dated as of October 5, 2007, between Viacom Inc. and The Bank of New York, as trustee (including forms of Senior Notes and Senior Debentures) (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K of Viacom Inc. filed October 9, 2007) (File No. 001-32686).
10.1	Separation Agreement dated as of December 19, 2005 by and between Former Viacom and New Viacom Corp. (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K of New Viacom Corp. filed December 21, 2005) (File No. 001-32686).
10.2	Tax Matters Agreement dated as of December 30, 2005 by and between Former Viacom and New Viacom Corp. (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K of Viacom Inc. filed January 5, 2006) (File No. 001-32686).
10.3	\$6.0 Billion Term Loan Credit Agreement, dated as of December 8, 2005, among New Viacom Corp., the Lenders named therein, Citibank, N.A., as Administrative Agent, JPMorgan Chase Bank, N.A., as Syndication Agent, and Bank of America, N.A., Deutsche Bank Securities Inc., and The Bank of Tokyo-Mitsubishi, Ltd., New York Branch, as Co-Documentation Agents (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K of New Viacom Corp. filed December 14, 2005) (File No. 001-32686).
10.4	\$3.25 Billion Five-Year Credit Agreement, dated as of December 8, 2005, among New Viacom Corp., the Lenders named therein, JPMorgan Chase Bank, N.A., as Administrative Agent, Citibank, N.A., as Syndication Agent, and Bank of America, N.A., Deutsche Bank Securities Inc. and The Bank of Tokyo-Mitsubishi, Ltd., New York Branch, as Co-Documentation Agents (incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K of New Viacom Corp. filed December 14, 2005) (File No. 001-32686).

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<u>Exhibit No.</u>	<u>Description of Exhibit</u>
10.5*	Termination Agreement, effective as of October 10, 2008, among Viacom Inc., NAIRI, Inc. and National Amusements, Inc., terminating the Agreement dated as of December 21, 2005 between New Viacom Corp., National Amusements, Inc. and NAIRI, Inc. (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K of New Viacom Corp. filed December 23, 2005), as amended by First Amendment dated as of June 20, 2007 among Viacom Inc. (formerly known as New Viacom Corp.), NAIRI, Inc. and National Amusements, Inc. (incorporated by reference to Exhibit 10 to the Current Report on Form 8-K of Viacom Inc. filed June 26, 2007) (Commission File No. 001-32686).
10.6	Summary of Viacom Inc. Compensation for Outside Directors (incorporated by reference to Exhibit 10.7 to the Annual Report on Form 10-K of Viacom Inc. filed March 16, 2006) (File No. 001-32686).**
10.7	Amended Compensation Arrangement for Non-Executive Vice Chair (incorporated by reference to Exhibit 10.5 to the Quarterly Report on Form 10-Q of Viacom Inc. filed November 9, 2006) (File No. 001-32686).**
10.8	Viacom Inc. 2006 Stock Option Plan for Outside Directors (incorporated by reference to Exhibit 10.8 to the Annual Report on Form 10-K of Viacom Inc. filed March 16, 2006) (File No. 001-32686).**
10.9	Viacom Inc. 2006 RSU Plan for Outside Directors (incorporated by reference to Exhibit 10.9 to the Annual Report on Form 10-K of Viacom Inc. filed March 16, 2006) (File No. 001-32686).**
10.10	Viacom Inc. Deferred Compensation Plan for Outside Directors (incorporated by reference to Exhibit 10.11 to the Annual Report on Form 10-K of Viacom Inc. filed March 16, 2006) (File No. 001-32686).**
10.11*	Viacom Inc. Senior Executive Short-Term Incentive Plan, as amended and restated December 2, 2008.**
10.12*	Viacom Inc. 2006 Long-Term Management Incentive Plan, as amended and restated December 2, 2008.**
10.12.1	Form of LTMIP Award Certificate (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K of Viacom Inc. filed May 29, 2007) (File No. 001-32686).**
10.12.2	Form of Terms and Conditions to the Stock Option Certificate (incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K of Viacom Inc. filed May 29, 2007) (File No. 001-32686).**
10.12.3	Form of Terms and Conditions to the Restricted Share Units Certificate (incorporated by reference to Exhibit 10.3 to the Current Report on Form 8-K of Viacom Inc. filed May 29, 2007) (File No. 001-32686).**
10.12.4	Form of Terms and Conditions to the Performance Share Units Certificate (incorporated by reference to Exhibit 10.4 to the Current Report on Form 8-K of Viacom Inc. filed May 29, 2007) (File No. 001-32686).**
10.13*	Viacom Excess Pension Plan, as amended and restated January 1, 2009.**
10.14*	Viacom Excess 401(k) Plan for Designated Senior Executives, as amended and restated January 1, 2009.**
10.15*	Viacom Bonus Deferral Plan for Designated Senior Executives, as amended and restated January 1, 2009.**
10.16	Employment Agreement with Sumner M. Redstone, dated September 25, 2006 (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K of Viacom Inc. filed September 26, 2006) (File No. 001-32686).**
10.17	Employment Agreement between Viacom Inc. and Philippe P. Dauman, dated September 5, 2006 (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K of Viacom Inc. filed September 7, 2006) (File No. 001-32686).**

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<u>Exhibit No.</u>	<u>Description of Exhibit</u>
10.18	Employment Agreement between Viacom Inc. and Thomas E. Dooley, dated September 5, 2006 (incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K of Viacom Inc. filed September 7, 2006) (File No. 001-32686).**
10.19	Employment Agreement between Former Viacom and Michael D. Fricklas, dated as of May 1, 2000 (incorporated by reference to Exhibit 10.3 to the Quarterly Report on Form 10-Q of Former Viacom for the quarter ended September 30, 2000), as amended by Amendment dated April 1, 2003 (incorporated by reference to Exhibit 10(a) to the Quarterly Report on Form 10-Q of Former Viacom for the quarter ended March 31, 2003) (File No. 001-09553), as further amended by Letter Agreement dated April 12, 2005 (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K of Former Viacom filed April 15, 2005) (File No. 001-09553), each assigned to Viacom Inc., and as further amended by Amendment to Employment Agreement between Viacom Inc. and Michael D. Fricklas dated March 5, 2007 (incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q of Viacom Inc. for the quarter ended March 31, 2007) (File No. 001-09553).**
10.20*	Employment Agreement between Viacom Inc. and Denise White, dated as of September 24, 2007.**
10.21	Employment Agreement between Viacom Inc. and Jacques Tortoroli, dated January 1, 2006 (incorporated by reference to Exhibit 10.20 to the Annual Report on Form 10-K of Viacom Inc. filed February 28, 2008) (File No. 001-32686).**
10.22	Separation Agreement between Viacom Inc. and Thomas E. Freston, dated October 16, 2006 (incorporated by reference to Exhibit 10 to the Current Report on Form 8-K of Viacom Inc. filed October 18, 2006) (File No. 001-32686).**
10.23	Separation Agreement between Viacom Inc. and Michael J. Dolan, dated December 6, 2006 (incorporated by reference to Exhibit 10 to the Current Report on Form 8-K of Viacom Inc. filed December 8, 2006) (File No. 001-32686).**
10.24	Service Agreement, dated as of March 1, 1994, between George S. Abrams and Former Viacom (incorporated by reference to Exhibit 10(q) to the Annual Report on Form 10-K of Former Viacom filed on March 31, 1995) (File No. 001-09553), assigned to Viacom Inc.**
21.1*	Subsidiaries of Viacom Inc.
23.1*	Consent of PricewaterhouseCoopers LLP, independent registered public accounting firm for Viacom Inc.
24.1*	Powers of Attorney.
31.1*	Certification of the Chief Executive Officer of Viacom Inc. pursuant to Rule 13a-14(a) or 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of the Chief Financial Officer of Viacom Inc. pursuant to Rule 13a-14(a) or 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification of the Chief Executive Officer of Viacom Inc. furnished pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	Certification of the Chief Financial Officer of Viacom Inc. furnished pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

\* Filed herewith.

\*\* Represents a management contract or compensatory plan or arrangement required to be filed as an exhibit.

October 17, 2008

NAIRI, Inc.  
P.O. Box 9126  
Dedham, MA 02027-9126  
Fax: (781) 461-1412  
Attention: Richard J. Sherman

National Amusements, Inc.  
P.O. Box 9126  
Dedham, MA 02027-9126  
Fax: (781) 461-1412  
Attention: Richard J. Sherman

Re: Termination Agreement

Ladies and Gentlemen:

Reference is made to the Agreement dated as of December 21, 2005, as amended by the First Amendment dated as of June 20, 2007, among Viacom Inc. (formerly known as New Viacom Corp.), a Delaware corporation ("Viacom"), NAIRI, Inc., a Delaware corporation ("NAIRI"), and National Amusements, Inc., a Maryland corporation ("NAI," and together with Viacom and NAIRI, the "Parties") (the "Agreement"). Capitalized terms used and not defined herein shall have the meanings ascribed thereto in the Agreement. Pursuant to Section 7.1(a) of the Agreement, the Parties hereby agree to terminate the Agreement, effective October 10, 2008, and the Agreement shall have no further force and effect. Notwithstanding anything to the contrary in the Agreement, the Parties further agree that, for all purposes under the Agreement, October 9, 2008 shall be deemed to be the last trading day of the Applicable Month of October 2008, and any outstanding settlements of Acquired Shares in respect of any trading activity which has occurred during any period prior to the termination of the Agreement shall be effectuated in accordance with the terms and conditions of the Agreement no later than November 11, 2008.

This letter agreement shall be governed by and construed in accordance with the laws of the State of New York.

This letter agreement may be executed in one or more counterparts, all of which shall be considered one and the same agreement. Copies of executed counterparts transmitted by telecopy or other electronic transmission shall be considered original executed counterparts.

*[Signature Page Follows]*

If the foregoing accurately sets forth our understanding, please so indicate in the space below and return one signed copy to the undersigned.

Sincerely,

VIACOM INC.

By: /s/ Michael D. Fricklas

Name: Michael D. Fricklas  
Title: Executive Vice President,  
General Counsel and Secretary

ACCEPTED AND AGREED TO AS  
OF THE DATE FIRST ABOVE WRITTEN:

NAIRI, INC.

By: /s/ Richard J. Sherman

Name: Richard J. Sherman  
Title: Vice President

NATIONAL AMUSEMENTS, INC.

By: /s/ Richard J. Sherman

Name: Richard J. Sherman  
Title: Vice President

**VIACOM INC.  
SENIOR EXECUTIVE  
SHORT-TERM INCENTIVE PLAN**

**(Amended and Restated on April 12, 2007, and as further  
Amended and Restated on December 2, 2008)**

**ARTICLE I  
GENERAL**

**Section 1.1 Purpose.**

The purpose of the Viacom Inc. Senior Executive Short-Term Incentive Plan (the "Plan") is to benefit and advance the interests of Viacom Inc., a Delaware corporation (the "Company"), by granting annual performance-based awards ("Awards") to reward selected senior executive officers of the Company and its subsidiaries and divisions for their contributions to the Company's financial success and thereby motivate them to continue to make such contributions in the future.

**Section 1.2 Definitions.**

As used in the Plan, the following terms shall have the following meanings:

- (a) "Award" shall have the meaning set forth in Section 1.1.
- (b) "Board" shall mean the Board of Directors of the Company.
- (c) "Class B Common Stock" shall mean shares of Class B Common Stock, par value \$0.001 per share, of the Company.
- (d) "Code" shall mean the Internal Revenue Code of 1986, as amended, including any successor law thereto, and the rules, regulations and guidance promulgated thereunder from time to time.
- (e) "Committee" shall mean the Compensation Committee of the Board (or such other Committee(s) as may be appointed or designated by the Board to administer the Plan in accordance with Section 1.3 of the Plan). The Committee shall consist of at least two (2) individuals, each of whom shall be an "outside director" (or any successor standard thereto) within the meaning of Section 162(m) of the Code; *provided, however*, that if any such Committee member is found not to have met the qualification requirements of Section 162(m), any actions taken or Awards granted by the Committee shall not be invalidated by such failure to so qualify.
- (f) "Company" shall have the meaning set forth in Section 1.1.
- (g) "Earnings Per Share" shall have the meaning provided by GAAP.
- (h) "Effective Date" shall have the meaning set forth in Section 4.11.
- (i) "Equity Plan" means the Viacom Inc. 2006 Long-Term Management Incentive Plan and any successor or similar plan of the Company.
- (j) "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended, including any successor law thereto.
- (k) "Fair Market Value" of a share of Class B Common Stock on a given date shall be, unless otherwise determined by the Committee, the 4:00 p.m. (New York time) closing price on such date on the New York Stock Exchange or other principal stock exchange on which the Class B Common Stock is then listed.

- (l) “Free Cash Flow” shall mean the Company’s Operating Income before depreciation and amortization, less cash interest, taxes paid, working capital requirements and capital expenditures.
- (m) “GAAP” shall mean generally accepted accounting principles in the United States.
- (n) “Net Earnings” shall have the meaning provided in GAAP.
- (o) “Net Earnings from Continuing Operations” shall have the meaning provided in GAAP.
- (p) “Net Revenue” shall have the meaning provided by GAAP.
- (q) “OIBDA” shall mean the Company’s Operating Income before depreciation and amortization.
- (r) “OIBDA Without Inter-Company Eliminations” shall mean the Company’s Operating Income before depreciation, amortization and inter-company eliminations.
- (s) “Operating Income” shall have the meaning provided by GAAP.
- (t) “Participant” shall mean any employee of the Company or a Subsidiary at a level of Senior Vice President or at a more senior level whom the Committee designates a participant under the Plan.
- (u) “Performance Goals” shall mean the performance goals set forth in Section 2.2 from which the Committee shall establish performance targets for a given Performance Period.
- (v) “Performance Period” shall mean a period of time over which performance is measured as determined by the Committee in its sole discretion.
- (w) “Plan” shall have the meaning set forth in Section 1.1.
- (x) “Revenue” shall have the meaning provided by GAAP.
- (y) “Salary” for any Performance Period shall mean the sum of (i) the annual base salary of the Participant as in effect on the first day of the applicable Performance Period, unless otherwise determined by the Committee and (ii) an amount equal to the annual rate of compensation as in effect on the first day of the applicable Performance Period that the Participant is required to defer (if any) for the applicable Performance Period pursuant to an employment agreement or similar arrangement with the Company.
- (z) “Section 162(m)” shall mean Section 162(m) of the Code.
- (aa) “Section 409A” shall mean Section 409A of the Code.
- (bb) “Subsidiary” shall mean a corporation (or a partnership or other enterprise) in which the Company owns or controls, directly or indirectly, more than 50% of the outstanding shares of stock normally entitled to vote for the election of directors (or comparable equity participation and voting power).
- (cc) “Target Awards” means the target established by the Committee for each Performance Period based on a multiple (either a fraction or a whole number multiple) of the Participant’s Salary or a specified dollar amount.

### **Section 1.3 Administration of the Plan.**

The Plan shall be administered by the Committee which shall adopt such rules as it may deem appropriate in order to carry out the purpose of the Plan. All questions of interpretation, administration and application of the Plan shall be determined by the Committee, except that the Committee may authorize any one or more of its members, or any officer of the Company, to execute and deliver documents on behalf of the Committee. The

determination of the Committee shall be final and binding in all matters relating to the Plan. The Committee shall have authority to determine the terms and conditions of the Awards granted to eligible persons.

**Section 1.4 No Liability.**

Subject to applicable law: (i) no member of the Committee shall be liable to any Participant or any other person for anything whatsoever in connection with the administration of the Plan except such person's own willful misconduct; (ii) under no circumstances shall any member of the Committee be liable for any act or omission of any other member of the Committee; and (iii) in the performance of its functions with respect to the Plan, the Committee shall be entitled to rely upon information and advice furnished by the Company's officers, the Company's accountants, the Company's counsel and any other party the Committee deems necessary, and no member of the Committee shall be liable for any action taken or not taken in good faith reliance upon any such advice.

**ARTICLE II  
AWARDS**

**Section 2.1 Awards.**

The Committee may grant Awards to eligible employees with respect to each Performance Period, subject to the terms and conditions set forth in the Plan.

**Section 2.2 Terms of Awards.**

(a) The Committee shall determine in its sole discretion whether any employee of the Company shall have the opportunity to earn incentive compensation under this Plan during any Performance Period. For each Participant, within the time period permitted or required under Section 162(m) for amounts payable hereunder to be considered "qualified performance based compensation", the Committee shall (i) establish the Performance Period, (ii) designate each Participant for the Performance Period, (iii) select from the list of Performance Goals set forth in this Section 2.2, the Performance Goal or Goals to be applicable to the Performance Period, (iv) establish specific performance targets related to such Performance Goals and (v) establish Target Awards for each Participant.

(b) The Performance Goals from which the Committee shall establish performance targets shall relate to the achievement of financial goals based on the attainment of specified levels of one or more of the following: OIBDA, OIBDA Without Intercompany Eliminations, Operating Income, Free Cash Flow, Net Earnings, Net Earnings from Continuing Operations, Earnings Per Share, Revenue, Net Revenue, operating revenue, total shareholder return, share price, return on equity, return in excess of cost of capital, profit in excess of cost of capital, return on assets, return on invested capital, net operating profit after tax, operating margin, profit margin or any combination thereof. The Performance Goals may be described in terms of objectives that are related to the individual Participant or objectives that are Company-wide or related to a Subsidiary, division, department, region, function or business unit and may be measured on an absolute or cumulative basis or on the basis of percentage of improvement over time, and may be measured in terms of Company performance (or performance of the applicable Subsidiary, division, department, region, function or business unit) or measured in terms of performance relative to selected peer companies or a market index.

**Section 2.3 Limitation on Awards.**

The aggregate amount of all Awards granted under the Plan to any Participant for any Performance Period shall not exceed the amount determined by multiplying such Participant's Salary by a factor of eight (8), but in no event shall such amount exceed \$51.2 million.

**Section 2.4 Determination of Award.**

The Committee shall, promptly after the date on which the necessary financial or other information for a particular Performance Period becomes available, certify whether the performance targets have been achieved in the manner required by Section 162(m). If the performance targets have been achieved, the Awards for such

Performance Period shall have been earned except that the Committee may, in its sole discretion, reduce the amount of any Award to reflect the Committee's assessment of the Participant's individual performance or for any other reason.

**Section 2.5 Payment of Award.**

Subject to Section 2.6, such Awards may be paid, in whole or in part, in cash, in the form of grants of equity-based awards issued under the Equity Plan, or in any other form prescribed by the Committee, and may be subject to such additional restrictions as the Committee, in its sole discretion, may impose. Such Awards shall be paid as promptly as practicable after the Committee certifies the applicable performance targets have been achieved (and in any event by the 15<sup>th</sup> day of the third calendar month following the end of the calendar year in which the last day of the applicable Performance Period occurs). If the Committee determines that an Award shall be paid in the form of an equity-based award issued under the Equity Plan, then, for purposes of determining the number of shares of Class B Common Stock subject to an Award, the Class B Common Stock shall be valued based on its Fair Market Value on the date such equity-based awards are granted. Where Awards are paid in property other than cash and Class B Common Stock, the value of such property, for purposes of the Plan, shall be determined by reference to the fair market value of the property on the date the Committee grants the award. Notwithstanding anything in this Section 2.5 to the contrary, the Committee may establish procedures pursuant to which the payment of any Award may be deferred. To the extent an Award provides for the right of a recipient to elect to defer compensation and such deferral would be subject to Section 409A, the Committee shall set forth in writing (which may be in electronic form), on or before the date the applicable deferral election is required to be irrevocable in order to meet the requirements of Section 409A, the conditions under which such election may be made.

**Section 2.6 Employment Requirement.**

Unless otherwise provided in a Participant's employment agreement, herein in Section 2.6, or as otherwise determined by the Committee at the time an Award is granted, to be eligible to receive payment of an Award, the Participant must have remained in the continuous employ of the Company or a Subsidiary during the Performance Period applicable to the Participant. If the Company or any Subsidiary terminates a Participant's employment other than for "cause", a Participant terminates his employment for "good reason" or a Participant becomes "permanently disabled" (in each case, as determined by the Committee in its sole discretion) or a Participant dies during a Performance Period, such Participant or his estate or beneficiary shall receive, unless his or her employment agreement provides otherwise, a pro rata portion of the amount of any Award earned for such Performance Period based on the attainment of the relevant performance targets, except that the Committee may, in its sole discretion, reduce the amount of such Award to reflect the Committee's assessment of such Participant's individual performance prior to the termination of such Participant's employment, such Participant's becoming permanently disabled or such Participant's death, as the case may be, or for any other reason.

**Section 2.7 Repayment.**

The Committee may require a Participant to return all or a portion of any payment made in respect of an Award (including any payment in the form of an equity-based award or other property) if the Performance Goals or any of the quantitative factors considered in connection with the Committee's negative discretion pursuant to Section 2.4 used to determine the amount of such Award are subsequently restated or otherwise adjusted and the Committee determines either that in light of such restatement or adjustment the Award was not earned within the meaning of Section 2.4 or that such restatement or adjustment alters the Committee's assessment of the Participant's individual performance in a manner that warrants reduction of the amount paid to the Participant in respect of the Award.

**ARTICLE III  
ADJUSTMENT OF AWARDS**

In the event that, during a Performance Period, any recapitalization, reorganization, merger, acquisition, divestiture, consolidation, spin-off, combination, liquidation, dissolution, sale of assets, or other similar corporate transaction or event or any other extraordinary event occurs, or any other event or circumstance occurs which has the effect, as determined by the Committee, of distorting the applicable Performance Goals, including, without

limitation, changes in accounting standards, the Committee shall adjust or modify the calculation of the applicable performance targets based on the Performance Goals, to the extent necessary to prevent reduction or enlargement of Participants' Awards under the Plan for such Performance Period attributable to such transaction, circumstance or event. Such adjustments shall be conclusive and binding for all purposes.

**ARTICLE IV  
MISCELLANEOUS**

**Section 4.1 No Rights to Awards or Continued Employment.**

No employee shall have any claim or right to receive Awards under the Plan. Neither the Plan nor any action taken hereunder shall be construed as giving any employee any right to be retained by the Company or any of its subsidiaries.

**Section 4.2 Restriction on Transfer.**

The rights of a Participant to receive Awards under the Plan shall not be transferable by the Participant to whom such Award is granted, otherwise than by will, the laws of descent and distribution or beneficiary designation or as otherwise permitted by the Committee subject to any conditions that it, in its sole discretion, may impose.

**Section 4.3 Withholding.**

The Company, or a subsidiary thereof, as appropriate, shall have the right to deduct from all payments made under the Plan to a Participant or to a Participant's beneficiary or beneficiaries any federal, state or local taxes required by law to be withheld with respect to such payments.

**Section 4.4 No Restriction on Right of Company to Effect Changes.**

The Plan shall not affect in any way the right or power of the Company or its stockholders or a Subsidiary to make or authorize any recapitalization, reorganization, merger, acquisition, divestiture, consolidation, spin-off, combination, liquidation, dissolution, sale of assets, or other similar corporate transaction or event involving the Company or a Subsidiary thereof or any other event or series of events, whether of a similar character or otherwise, whether or not such action would have an adverse effect on any Awards made under the Plan. No Participant, beneficiary or other person shall have any claim against the Company or any Subsidiary as a result of any such action.

**Section 4.5 Source of Payments.**

The Company shall not have any obligation to establish any separate fund or trust or other segregation of assets to provide for payments under the Plan. To the extent any person acquires any rights to receive payments hereunder from the Company, such rights shall be no greater than those of an unsecured creditor.

**Section 4.6 Section 409A.**

If any provision of the Plan or any Award contravenes Section 409A or could cause a Participant to recognize income for United States federal tax purposes in respect of an Award prior to payment of the Award or to be subject to any tax or interest under Section 409A, such provision of the Plan or any Award may be modified to maintain, to the maximum extent practicable, the original intent of the applicable provision without the imposition of any tax or interest under Section 409A. Moreover, any discretionary authority that the Board or the Committee may have pursuant to the Plan shall not be applicable to an Award that is subject to Section 409A to the extent such discretionary authority would contravene Section 409A or cause a Participant to recognize income for United States federal tax purposes in respect of an Award prior to payment of the Award or to be subject to any tax or interest under Section 409A.

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**Section 4.7 Amendment and Termination.**

The Board may at any time and from time to time alter, amend, suspend or terminate the Plan in whole or in part. No such alteration, amendment, suspension or termination of the Plan may, without the consent of the Participant to whom an Award has been made, adversely affect the rights of such Participant in such Award; *provided, however*, that no such consent shall be required if the Committee determines in its sole discretion that any such alteration, amendment, suspension or termination is necessary or prudent (i) to comply with, or take into account changes in, applicable tax laws, securities laws, accounting rules and other applicable laws, rules and regulations or (ii) to ensure that a Participant is not required to recognize income for United States federal tax purposes in respect of an Award prior to payment of the Award or subject to interest and additional tax under Section 409A with respect to any Award.

**Section 4.8 Governmental Regulations.**

The Plan, and all Awards hereunder, shall be subject to all applicable rules and regulations of governmental or other authorities.

**Section 4.9 Headings.**

The headings of sections and subsections herein are included solely for convenience of reference and shall not affect the meaning of any of the provisions of the Plan.

**Section 4.10 Governing Law.**

The Plan and all rights and Awards hereunder shall be construed in accordance with and governed by the laws of the State of Delaware.

**Section 4.11 Effective Date.**

The Plan became effective as of January 1, 2006 and was amended and restated on April 12, 2007. The amended and restated Plan was approved by the Company's stockholders at the 2007 annual meeting of stockholders. The Plan was further amended and restated on December 2, 2008.

**VIACOM INC.**  
**2006 LONG-TERM MANAGEMENT INCENTIVE PLAN**

**(Amended and Restated on April 12, 2007, and as further  
Amended and Restated on December 2, 2008)**

**ARTICLE I**

**GENERAL**

**Section 1.1 Purpose.**

The purpose of the Viacom Inc. 2006 Long-Term Management Incentive Plan (the "Plan") is to benefit and advance the interests of Viacom Inc., a Delaware corporation (the "Company"), and its Subsidiaries (as defined below) by rewarding certain employees of the Company and its Subsidiaries for their contributions to the financial success of the Company and its Subsidiaries and thereby motivate them to continue to make such contributions in the future.

**Section 1.2 Definitions.**

As used in the Plan, the following terms shall have the following meanings:

- (a) "Administrator" shall mean the individual or individuals to whom the Committee delegates authority under the Plan in accordance with Section 1.3(c).
- (b) "Agreement" shall mean the written agreement or certificate or other documentation governing an Award under the Plan, which shall contain terms and conditions not inconsistent with the Plan and which shall incorporate the Plan by reference.
- (c) "Appreciation Value" shall mean the excess, if any, of the Value of a Phantom Share on the applicable Valuation Date or date of termination of employment or of the Participant's death, Retirement or Permanent Disability (as described in Section 5.5(a) hereof), as the case may be, over the Initial Value of such Phantom Share.
- (d) "Awards" shall mean any Stock Options, Stock Appreciation Rights, Restricted Shares, Restricted Share Units, unrestricted shares of Class B Common Stock, Phantom Shares, Dividend Equivalents, Performance Awards or Other Awards or a combination of any of the above.
- (e) "Board" shall mean the Board of Directors of the Company.
- (f) "Cause" shall (i) have the meaning provided in a Company or a Subsidiary employment agreement that is in effect and applicable to the Participant, or (ii) mean, if there is no such employment agreement or if such employment agreement contains no such term, unless the Committee determines otherwise, (A) conduct constituting embezzlement, misappropriation or fraud, whether or not related to the Participant's employment with the Company or a Subsidiary; (B) conduct constituting a felony, whether or not related to the Participant's employment with the Company or a Subsidiary; (C) conduct constituting a financial crime, material act of dishonesty or material unethical business conduct, involving the Company or a Subsidiary; (D) willful unauthorized disclosure or use of Company or Subsidiary confidential information; (E) the failure to obey a material lawful directive that is appropriate to the Participant's position from a superior in his or her reporting line or the Board; (F) the failure or refusal to substantially perform the Participant's material employment obligations (other than any such failure or refusal resulting from the Participant's disability); (G) the willful failure to cooperate with a bona fide internal investigation or an investigation by regulatory or law enforcement authorities, whether or not related to employment with the Company or a Subsidiary, after being instructed by the Company or a Subsidiary to cooperate; (H) the

willful destruction of or failure to preserve documents or other material known to be relevant to any investigation referred to in subparagraph (G) above; or (I) the willful inducement of others to engage in the conduct described in subparagraphs (A) – (H).

(g) “Class B Common Stock” shall mean shares of Class B Common Stock, par value \$0.001 per share, of the Company.

(h) “Code” shall mean the Internal Revenue Code of 1986, as amended, including any successor law thereto, and the rules, regulations and guidance promulgated thereunder.

(i) “Committee” shall mean the Compensation Committee of the Board (or such other Committee(s) as may be appointed or designated by the Board) to administer the Plan in accordance with Section 1.3 of the Plan.

(j) “Date of Grant” shall mean the effective date of the grant of an Award as set forth in the applicable Agreement.

(k) “Dividend Equivalent” shall mean a right to receive a payment based upon the value of the regular cash dividend paid on a specified number of shares of Class B Common Stock as set forth in Section 8.1 hereof. Payments in respect of Dividend Equivalents may be in cash, or, in the discretion of the Committee, in shares of Class B Common Stock or other securities of the Company designated by the Committee or in a combination of cash, shares of Class B Common Stock or such other securities.

(l) “Earnings Per Share” shall have the meaning provided by GAAP.

(m) “Effective Date” shall have the meaning set forth in Article XIII.

(n) “Exchange Act” shall mean the Securities Exchange Act of 1934, as amended, including any successor law thereto.

(o) “Fair Market Value” of a share of Class B Common Stock on a given date shall be, unless otherwise determined by the Committee, the 4:00 p.m. (New York time) closing price on such date on the New York Stock Exchange or other principal stock exchange on which the Class B Common Stock is then listed.

(p) “Free Cash Flow” shall mean the Company’s Operating Income before depreciation and amortization, less cash interest, taxes paid, working capital requirements and capital expenditures.

(q) “GAAP” shall mean generally accepted accounting principles in the United States.

(r) “Initial Value” shall mean the value of a Phantom Share as specified by the Committee as of the Date of Grant or the Value of a Phantom Share calculated as of the Date of Grant or such earlier date as the Committee may determine.

(s) “Net Earnings” shall have the meaning provided in GAAP.

(t) “Net Earnings from Continuing Operations” shall have the meaning provided in GAAP.

(u) “Net Revenue” shall have the meaning provided by GAAP.

(v) “OIBDA” shall mean the Company’s Operating Income before depreciation and amortization.

(w) “OIBDA Without Inter-Company Eliminations” shall mean the Company’s Operating Income before depreciation, amortization and inter-company eliminations.

- (x) "Operating Income" shall have the meaning provided by GAAP.
- (y) "Operating Revenue" shall have the meaning provided by GAAP.
- (z) "Other Awards" shall mean any form of award authorized under Section 7.2 of the Plan, other than a Stock Option, Stock Appreciation Right, Restricted Share, Restricted Share Unit, unrestricted share of Class B Common Stock, Phantom Share, Performance Award or Dividend Equivalent.
- (aa) "Outstanding Phantom Share" shall mean a Phantom Share granted to a Participant for which the Valuation Date has not yet occurred.
- (bb) "Outstanding Stock Option" shall mean a Stock Option granted to a Participant which has not yet been exercised and which has not yet expired or been terminated in accordance with its terms.
- (cc) "Participant" shall mean any employee who has met the eligibility requirements set forth in Section 1.4 and to whom an Award has been made under the Plan.
- (dd) "Performance Award" shall mean any award of Performance Shares or Performance Share Units pursuant to Article VI hereof.
- (ee) "Performance Goals" shall have the meaning set forth in Section 6.2 hereof.
- (ff) "Performance Period" shall mean a period of time over which performance is measured as determined by the Committee in its sole discretion.
- (gg) "Performance Share" shall mean an award granted pursuant to Article VI hereof of a share of Class B Common Stock subject to the terms and conditions set forth in the applicable Agreement.
- (hh) "Performance Share Units" shall mean an award granted pursuant to Article VI hereof, payable, unless otherwise determined by the Committee, in shares of Class B Common Stock, subject to the terms and conditions set forth in the Plan and in the applicable Agreement.
- (ii) "Permanent Disability" shall have the same meaning as such term or a similar term has in the long-term disability policy maintained by the Company or a Subsidiary thereof for the Participant and that is in effect on the date of the onset of the Participant's Permanent Disability, unless the Committee determines otherwise, in its discretion; *provided, however*, with respect to grants of Incentive Stock Options, permanent disability shall have the meaning given it under the rules governing Incentive Stock Options under the Code.
- (jj) "Phantom Share" shall mean a contractual right granted to a Participant pursuant to Article V to receive an amount equal to the Appreciation Value at such time, subject to the terms and conditions set forth in the Plan and the applicable Agreement.
- (kk) "Restricted Share" shall mean a share of Class B Common Stock granted to a Participant pursuant to Article III, which is subject to the restrictions set forth in Section 3.3 hereof and to such other terms, conditions and restrictions as are set forth in the Plan and the applicable Agreement.
- (ll) "Restricted Share Unit" shall mean a contractual right granted to a Participant pursuant to Article IV to receive, in the discretion of the Committee, shares of Class B Common Stock, a cash payment equal to the Fair Market Value of Class B Common Stock, or other securities of the Company designated by the Committee or a combination of cash, shares of Class B Common Stock or such other securities, subject to the terms and conditions set forth in the Plan and in the applicable Agreement.
- (mm) "Retirement" shall mean the resignation or termination of employment after attainment of an age and years of service required for payment of an immediate pension pursuant to the terms of any

qualified defined benefit retirement plan maintained by the Company or a Subsidiary in which the Participant participates; *provided, however*, that no resignation or termination prior to a Participant's 60th birthday shall be deemed a retirement unless the Committee so determines in its sole discretion; and *provided further* that the resignation or termination of employment other than a termination of employment for Cause after attainment of age 60 shall be deemed a retirement if the Participant does not participate in a qualified defined benefit retirement plan maintained by the Company or any of its Subsidiaries.

(nn) "Revenue" shall have the meaning provided by GAAP.

(oo) "Section 162(m)" shall mean Section 162(m) of the Code.

(pp) "Section 162(m) Exception" shall mean the exception under Section 162(m) for "qualified performance-based compensation."

(qq) "Section 162(m) Performance Goals" shall have the meaning set forth in Section 6.2 hereof.

(rr) "Section 409A" shall mean Section 409A of the Code.

(ss) "Separation" shall mean the series of transactions by which the Company was separated from the former Viacom Inc. (renamed CBS Corporation), which prior to such transactions had been the parent corporation of the Company.

(tt) "Separation Date" shall mean the closing date of the transactions by which the Separation was effected.

(uu) "Stock Appreciation Right" shall mean a contractual right granted to a Participant pursuant to Article II to receive an amount determined in accordance with Section 2.6 of the Plan, subject to such other terms and conditions as are set forth in the Plan and the applicable Agreement.

(vv) "Stock Option" shall mean a contractual right granted to a Participant pursuant to Article II to purchase shares of Class B Common Stock at such time and price, and subject to such other terms and conditions as are set forth in the Plan and the applicable Agreement. Stock Options may be "Incentive Stock Options" within the meaning of Section 422 of the Code or "Non-Qualified Stock Options" which do not meet the requirements of such Code section.

(ww) "Subsidiary" shall mean a corporation (or a partnership or other enterprise) in which the Company owns or controls, directly or indirectly, 50% or more of the outstanding shares of stock normally entitled to vote for the election of directors (or comparable equity participation and voting power).

(xx) "Substitute Awards" shall mean Awards granted upon assumption of, or in substitution for, outstanding awards previously granted by a company or other entity all or a portion of the assets or equity of which is acquired by the Company, with which the Company merges or otherwise combines or from which the Company is spun-off or otherwise separated.

(yy) "Valuation Date" shall mean the date on which the Appreciation Value of a Phantom Share shall be measured and fixed in accordance with Section 5.2(a) hereof.

(zz) The "Value" of a Phantom Share shall be determined by reference to the "average Fair Market Value" of a share of Class B Common Stock. The "average Fair Market Value" on a given date of a share of Class B Common Stock shall be determined over the 30-day period ending on such date or such other period as the Committee may decide shall be applicable to a grant of Phantom Shares, determined by dividing (i) by (ii), where (i) shall equal the sum of the Fair Market Values on each day that the Class B Common Stock was traded and a closing price was reported during such period, and (ii) shall equal the number of days, as determined by the Committee for the purposes of determining the average Fair Market

**Section 1.3 Administration of the Plan.**

(a) *Board or Committee to Administer.* The Plan shall be administered by the Committee, which shall consist of at least two members of the Board. If any member of the Committee does not meet the qualification requirements of the Section 162(m) Exception, then, with respect to any Award that is intended to satisfy the requirements of the Section 162(m) Exception, the Committee shall act through a subcommittee consisting of at least such number of directors as is required from time to time to satisfy the Section 162(m) Exception, and each such subcommittee member shall satisfy the qualification requirements of such exception. If any member of the Committee (or subcommittee, as applicable) is found not to have met the qualification requirements of the Section 162(m) Exception, any actions taken or Awards granted by the Committee (or subcommittee, as applicable) shall not be invalidated by such failure to so qualify.

(b) *Powers of the Committee.*

(i) The Committee shall adopt such rules as it may deem appropriate in order to carry out the purpose of the Plan. All questions of interpretation, administration and application of the Plan shall be determined by the Committee. The determination of the Committee shall be final and binding as to all matters relating to the Plan.

(ii) The Committee shall have authority to select Participants from among the class of eligible persons specified in Section 1.4 below, to determine the type of Award to be granted, to determine the number of shares of Class B Common Stock subject to an Award or the cash amount payable in connection with an Award, and to determine the terms and conditions of each Award in accordance with the terms of the Plan. Except as provided in Section 6.4, the Committee shall also have the authority to amend the terms of any outstanding Award or waive any conditions or restrictions applicable to any Award; *provided, however*, that no amendment shall materially impair the rights of the holder thereof without the holder's consent *except* that the Committee shall have the right at any time, without a holder's consent and whether or not the rights of the holder in an Award are materially adversely affected thereby, to amend or modify the Plan or any Award under the Plan in any manner that the Committee considers necessary or advisable to comply with any law, regulation, ruling, judicial decision, accounting standards, regulatory guidance or other legal requirement. With respect to any restrictions in the Plan or in any Agreement that are based on the requirements of Section 409A or Section 422 of the Code, the Section 162(m) Exception, the rules of any exchange upon which the Company's securities are listed, or any other applicable law, rule or restriction to the extent that any such restrictions are no longer required, the Committee shall have the sole discretion and authority to grant Awards that are not subject to such restrictions and/or to waive any such restrictions with respect to outstanding Awards.

(c) *Delegation by the Committee.* The Committee may, but need not, from time to time delegate some or all of its authority under the Plan to an Administrator consisting of one or more members of the Committee or of one or more officers of the Company; provided, however, that the Committee may not delegate its authority (i) to make Awards to employees (A) who are subject on the date of the Award to the reporting rules under Section 16(a) of the Exchange Act, (B) whose compensation for such fiscal year may be subject to the limit on deductible compensation pursuant to Section 162(m) or (C) who are officers of the Company who are delegated authority by the Committee hereunder, or (ii) under Article XI of the Plan. Any delegation hereunder shall be subject to the restrictions and limits that the Committee specifies at the time of such delegation or thereafter. Nothing in the Plan shall be construed as obligating the Committee to delegate authority to an Administrator, and the Committee may at any time rescind the authority delegated to an Administrator appointed hereunder or appoint a new Administrator. At all times, the Administrator appointed under this Section 1.3(c) shall serve in such capacity at the pleasure of the Committee. Any action undertaken by the Administrator in accordance with the Committee's delegation of authority shall have the same force and effect as if undertaken directly by the Committee, and any reference in the Plan to the Committee shall, to the extent consistent with the terms and limitations of such delegation, be deemed to include a reference to the Administrator.

(d) *Non-Uniform Determinations.* The Committee's determinations under the Plan need not be uniform and may be made by it selectively among persons who receive, or are eligible to receive, Awards under the Plan (whether or not such persons are similarly situated). Without limiting the generality of the foregoing, the Committee shall be entitled, among other things, to make non-uniform and selective determinations, and to enter into non-uniform and selective Agreements, as to the persons receiving Awards under the Plan, and the terms and provisions of Awards under the Plan.

(e) *No Liability.* Subject to applicable law: (i) no member of the Committee nor any Administrator shall be liable to any Participant or any other person for anything whatsoever in connection with the administration of the Plan except such person's own willful misconduct; (ii) under no circumstances shall any member of the Committee or any Administrator be liable for any act or omission of any other member of the Committee or any other Administrator; and (iii) in the performance of its functions with respect to the Plan, the Committee and any Administrator shall be entitled to rely upon information and advice furnished by the Company's officers, the Company's accountants, the Company's counsel and any other party the Committee or such Administrator deems necessary, and no member of the Committee or such Administrator shall be liable for any action taken or not taken in good faith reliance upon any such advice.

#### **Section 1.4 Eligible Persons.**

Awards may be granted to any employee of the Company or any of its Subsidiaries. An individual's status as an Administrator will not affect his or her eligibility to receive Awards under the Plan.

#### **Section 1.5 Class B Common Stock Subject to the Plan.**

(a) *Plan Limit.* The shares of Class B Common Stock subject to Awards under the Plan shall be made available from authorized but unissued Class B Common Stock, from Class B Common Stock issued and held in the treasury of the Company or, subject to such conditions as the Committee may determine, from shares beneficially owned by one or more stockholders of the Company. Subject to adjustment under Article IX hereof, the total number of shares of Class B Common Stock that may be delivered under the Plan (the "Section 1.5 Limit") shall not exceed 50 million.

(b) *Plan Sub-Limits.* Subject to adjustment under Article IX hereof, the maximum aggregate number of shares of Class B Common Stock that may be delivered in conjunction with awards of Restricted Shares, Restricted Share Units, unrestricted shares of Class B Common Stock, Performance Shares, Dividend Equivalents, Performance Share Units and Other Awards is 25 million, provided that, subject to adjustment under Article IX hereof, no more than 50,000 shares may be issued as unrestricted Class B Common Stock. Subject to adjustment under Article IX hereof, the maximum aggregate number of shares of Class B Common Stock that may be delivered in conjunction with awards of Incentive Stock Options is 5 million.

(c) *Rules Applicable to Determining Shares Available for Issuance.* For purposes of determining the number of shares of Class B Common Stock that remain available for delivery under the Plan, the following rules apply:

(i) In connection with the granting of an Award (other than an Award denominated in dollars), the number of shares of Class B Common Stock in respect of which the Award is granted or denominated shall be counted against the Section 1.5 Limit (and, if applicable, the limits set forth in Section 1.5(b)).

(ii) To the extent permitted by law or the rules and regulations of any stock exchange on which the Class B Common Stock is listed, the number of shares of Class B Common Stock that shall be added back to the Section 1.5 Limit (and, if applicable, the limits set forth in Section 1.5(b)) and shall again be available for Awards, shall be the corresponding number of shares of Class B Common Stock that are (A) tendered in payment of the exercise price of an Award or to satisfy a Participant's tax or other withholding obligations with respect to an Award; (B) subject to an Award or any portion of an Award which for any reason expires or is cancelled, forfeited, or terminated without having been exercised or paid;

(C) withheld from any Award to satisfy a Participant's tax or other withholding obligations or to pay the exercise price of an Award; and (D) subject to an Award or any portion of an Award that is settled in consideration other than shares of Class B Common Stock (including cash). Anything to the contrary in this Section 1.5(c) notwithstanding, if an Award is settled in whole or in part by delivery of fewer than the full number of shares of Class B Common Stock that was counted against the Section 1.5 Limit (and, if applicable, the limits set forth in Section 1.5(b)) pursuant to clause (i) (as such number may have been adjusted from time to time), the excess, if any, of the number of shares of Class B Common Stock so counted over the number of shares of Class B Common Stock delivered to the Participant upon exercise or settlement shall no longer be counted against the Section 1.5 Limit (and, if applicable, the limits set forth in Section 1.5(b)) and shall again be available for Awards.

(iii) Any shares of Class B Common Stock underlying Substitute Awards shall not be counted against the Section 1.5 Limit (and, if applicable, the limits set forth in Section 1.5(b)).

#### **Section 1.6 Section 162(m) Limits on Awards to Participants.**

(a) *Limits on Certain Stock Options, Stock Appreciation Rights and Phantom Shares.* The maximum aggregate number of shares of Class B Common Stock that may be granted to any Participant during the five-year period starting on the Effective Date of the Plan with respect to Stock Options, Stock Appreciation Rights or Phantom Shares is 7.5 million (regardless of whether Stock Appreciation Rights and Phantom Shares are settled in cash, Class B Common Stock, other Company securities or a combination thereof), subject to adjustment pursuant to Article IX hereof.

(b) *Limits on other Awards.* The maximum amount of Awards (other than those Awards set forth in Section 1.6(a)) intended to qualify for the Section 162(m) Exception that may be awarded to any Participant in respect of any Performance Period is \$50 million (with respect to Awards denominated in cash) and 1,000,000 shares of Class B Common Stock (with respect to Awards denominated in shares of Class B Common Stock), subject to adjustment pursuant to Article IX hereof. Notwithstanding the preceding sentence, if in respect of any Performance Period, the Committee grants to a Participant Awards having an aggregate dollar value and/or number of shares less than the maximum dollar value and/or number of shares that could be paid or awarded to such Participant based on the degree to which the relevant Performance Goals were attained, the excess of such maximum dollar value and/or number of shares over the aggregate dollar value and/or number of shares actually subject to Awards granted to such Participant shall be carried forward and shall increase the maximum dollar value and/or number of shares that may be awarded to such Participant in respect of the next Performance Period in respect of which the Committee grants to such Participant an Award intended to qualify for the Section 162(m) Exception, subject to adjustment pursuant to Article IX hereof.

#### **Section 1.7 Agreements.**

The Committee shall determine and set forth in an Agreement the terms and conditions of each Award (other than an Award of unrestricted Class B Common Stock). Each Agreement (i) shall state the Date of Grant and the name of the Participant, (ii) shall specify such other terms of the Award as appropriate for inclusion in the Agreement, (iii) shall incorporate the Plan by reference and (iv) shall be delivered or otherwise made available to the Participant. The Agreement shall contain such other terms not inconsistent with the Plan as the Committee may deem advisable. The Committee shall have the authority to adjust the terms of the Agreements relating to an Award in a jurisdiction outside of the United States (i) to comply with the laws of such jurisdiction or (ii) to obtain more favorable tax treatment for the Company and/or any Subsidiary, as applicable, and/or for the Participants in such jurisdiction. Such authority shall be notwithstanding the fact that the requirements of the local jurisdiction may be more restrictive than the terms set forth in the Plan.

## ARTICLE II

### PROVISIONS APPLICABLE TO STOCK OPTIONS

#### Section 2.1 Grants of Stock Options.

The Committee may from time to time grant to eligible employees Stock Options on the terms and conditions set forth in the Plan and on such other terms and conditions as are not inconsistent with the purposes and provisions of the Plan, as the Committee, in its discretion, may from time to time determine. Each Agreement covering a grant of Stock Options shall specify the number of Stock Options granted, the Date of Grant, the exercise price of such Stock Options, whether such Stock Options are Incentive Stock Options or Non-Qualified Stock Options, the period during which such Stock Options may be exercised, any vesting schedule, any Performance Goals and any other terms that the Committee deems appropriate.

#### Section 2.2 Exercise Price.

The Committee shall establish the per share exercise price of a Stock Option on the Date of Grant in such amount as the Committee shall determine; *provided* that such exercise price shall not be less than 100% of the Fair Market Value of a share of Class B Common Stock on the Date of Grant. Notwithstanding the foregoing, the per share exercise price of a Stock Option that is a Substitute Award may be less than 100% of the Fair Market Value of a share of Class B Common Stock on the Date of Grant, *provided* that the excess of the aggregate intrinsic value of the Substitute Award, determined immediately after the transaction giving rise to the substitution or assumption of the predecessor award, does not exceed the aggregate intrinsic value of such predecessor award, determined immediately before such transaction, and such substitution complies with applicable laws and regulations, including the listing requirements of the New York Stock Exchange or other principal stock exchange on which the Class B Common Stock is then listed and Section 409A or Section 424 of the Code, as applicable.

The exercise price of any Stock Option will be subject to adjustment in accordance with the provisions of Article IX of the Plan. Any adjustments made pursuant to this Section 2.2 shall be made in a manner consistent with the requirements of Section 409A.

#### Section 2.3 Exercise of Stock Options.

(a) *Exercisability.* Stock Options shall be exercisable only to the extent the Participant is vested therein, subject to any restrictions that the Committee shall determine. The Committee shall establish the vesting schedule applicable to Stock Options, which vesting schedule shall specify the period of time, the increments in which a Participant shall vest in the Stock Options and/or any applicable Performance Goal requirements, subject to any restrictions that the Committee shall determine and specify in the applicable Agreement (or any employment agreement applicable to the Participant). The Committee may, in its sole discretion, accelerate the time at which a Participant vests in his Stock Options.

(b) *Option Period.* For each Stock Option granted, the Committee shall specify the period during which the Stock Option may be exercised.

(c) *Registration Restrictions.* A Stock Option shall not be exercisable, no transfer of shares of Class B Common Stock shall be made to any Participant, and any attempt to exercise a Stock Option or to transfer any such shares shall be void and of no effect, unless and until (i) a registration statement under the Securities Act of 1933, as amended, has been duly filed and declared effective pertaining to the shares of Class B Common Stock subject to such Stock Option, and the shares of Class B Common Stock subject to such Stock Option have been duly qualified under applicable federal or state securities or blue sky laws or (ii) the Committee, in its sole discretion, determines, or the Participant, upon the request of the Committee, provides an opinion of counsel satisfactory to the Committee, that such registration or qualification is not required as a result of the availability of an exemption from registration or qualification under such laws. Without limiting the foregoing, if at any time the Committee shall determine, in its sole discretion, that the listing, registration or qualification of the shares of Class B Common Stock subject to such Stock Option is required under any federal or state law or on any securities exchange or the consent

or approval of any governmental regulatory body is necessary or desirable as a condition of, or in connection with, delivery or purchase of such shares pursuant to the exercise of a Stock Option, such Stock Option shall not be exercised in whole or in part unless and until such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee.

(d) *Exercise in the Event of Termination of Employment, Retirement, Death or Permanent Disability.*

(i) *Termination other than for Cause, or due to Retirement, Death or Permanent Disability.* Except as otherwise provided in this Section 2.3 or as otherwise determined by the Committee, in the event that (A) the Participant ceases to be an employee of the Company or any of its Subsidiaries by reason of the voluntary termination by the Participant or the termination by the Company or any of its Subsidiaries other than for Cause, his Outstanding Stock Options may be exercised to the extent then exercisable until the earlier of six months after the date of such termination or the Expiration Date, (B) the Participant ceases to be an employee of the Company or any of its Subsidiaries by reason of the Participant's Retirement, the Participant may exercise his outstanding Stock Options to the extent exercisable on the date of Retirement until the earlier of the third anniversary of such date or the Expiration Date; (C) the Permanent Disability of the Participant occurs, his Outstanding Stock Options may be exercised to the extent exercisable upon the date of the onset of such Permanent Disability until the earlier of the third anniversary of such date or the Expiration Date; and (D) a Participant dies during a period during which his Stock Options could have been exercised by him, his Outstanding Stock Options may be exercised to the extent exercisable at the date of death by the person who acquired the right to exercise such Stock Options by will or the laws of descent and distribution, permitted transfer or beneficiary designation until the earlier of the second anniversary of the date of death or the Expiration Date. Except as otherwise provided in this Section 2.3 or as otherwise determined by the Committee, upon the occurrence of an event described in clauses (A), (B), (C) or (D) of this Section 2.3(d)(i), all rights with respect to Stock Options that are not vested as of such event will be relinquished.

(ii) *Termination for Cause.* If a Participant's employment with the Company or any of its Subsidiaries ends due to a termination of employment for Cause then, unless the Committee in its discretion determines otherwise, all Outstanding Stock Options, whether or not then vested, shall terminate effective as of the date of such termination.

(iii) *Maximum Exercise Period.* Anything in this Section 2.3(d) to the contrary notwithstanding and unless the Committee determines otherwise, no Stock Option shall be exercisable after the earlier to occur of (A) the expiration of the option period set forth in the applicable Agreement or (B) the tenth anniversary of the Date of Grant thereof. If the date determined in accordance with the preceding sentence is not a business day, the Stock Options may be exercised up to and including the last business day before such date.

**Section 2.4 Payment of Purchase Price Upon Exercise.**

Every share purchased through the exercise of a Stock Option shall be paid for in full on or before the settlement date for the shares of Class B Common Stock issued pursuant to the exercise of the Stock Options in cash or, in the discretion of the Committee, in shares of Class B Common Stock or other securities of the Company designated by the Committee, in a combination of cash, shares or such other securities or in any other form of valid consideration that is acceptable to the Committee in its sole discretion. If the Agreement so provides, such exercise price may also be paid in whole or in part using a net share settlement procedure or through the withholding of shares subject to the Stock Option with a value equal to the exercise price. In accordance with the rules and procedures established by the Company for this purpose, a Stock Option may also be exercised through a "cashless exercise" procedure approved by the Company from time to time, involving a broker or dealer, that affords Participants the opportunity to sell immediately some or all of the shares underlying the exercised portion of the Stock Option in order to generate sufficient cash to pay the exercise price of the Option.

## **Section 2.5 Repricing of Stock Options.**

The Committee may not “reprice” any Stock Option. “Reprice” means any of the following or any other action that has the same effect: (i) amending a Stock Option to reduce its exercise price, (ii) canceling a Stock Option at a time when its exercise price exceeds the Fair Market Value of a share of Class B Common Stock in exchange for a Stock Option, Restricted Share or other equity award unless the cancellation and exchange occurs in connection with a merger, acquisition, spin-off or other similar corporate transaction, or (iii) taking any other action that is treated as a repricing under GAAP, *provided* that nothing in this Section 2.5 shall prevent the Committee from making adjustments pursuant to Article IX.

## **Section 2.6 Stock Appreciation Rights.**

(a) *Generally.* The Committee may grant Stock Appreciation Rights alone or in tandem with other Awards.

(b) *Stock Appreciation Rights Granted In Tandem with Stock Options.* Any Stock Appreciation Right granted in tandem with a Stock Option shall be granted at the time of the grant of the Stock Option. The Stock Appreciation Right shall be subject to the same terms and conditions as the related Stock Option and shall be exercisable only at such times and to such extent as the related Stock Option is exercisable. A Stock Appreciation Right shall entitle the holder to surrender to the Company the related Stock Option (in whole or in part) unexercised and receive from the Company in exchange therefor an amount equal to the excess of the Fair Market Value of the shares of Class B Common Stock subject to the surrendered portion of such Stock Option, determined as of the day preceding the surrender of such Stock Option, over the aggregate exercise price of the portion of the Stock Option so surrendered. Such amount shall be paid in cash, or in the discretion of the Committee, in shares of Class B Common Stock or other securities of the Company designated by the Committee or in a combination of cash, shares of Class B Common Stock or such other securities.

(c) *Stock Appreciation Rights Granted Alone or In Tandem with Awards Other Than Stock Options.* Subject to the next sentence, Stock Appreciation Rights granted alone or in tandem with Awards other than Stock Options shall be subject to such terms and conditions as the Committee shall establish at or after the time of grant and set forth in the applicable Agreement. The Committee shall establish the per share exercise price of a Stock Appreciation Right granted alone on the Date of Grant in such amount as the Committee shall determine; provided that such exercise price shall not be less than 100% of the Fair Market Value of a share of Class B Common Stock on the Date of Grant. In addition, notwithstanding the foregoing, the per share exercise price of a Stock Appreciation Right that is a Substitute Award may be less than 100% of the Fair Market Value of a share of Class B Common Stock on the Date of Grant; provided that the excess of the aggregate intrinsic value of the Substitute Award, determined immediately after the transaction giving rise to the substitution or assumption of the predecessor award, does not exceed the aggregate intrinsic value of such predecessor award, determined immediately before such transaction, and such substitution complies with applicable laws and regulations, including the listing requirements of the New York Stock Exchange or other principal stock exchange on which the Class B Common Stock is then listed and Section 409A or Section 424 of the Code, as applicable. The exercise price of any Stock Appreciation Right will be subject to adjustment in accordance with the provisions of Article VIII of the Plan. Any adjustments made pursuant to this Section 2.6(c) shall be made in a manner consistent with the requirements of Section 409A.

## **ARTICLE III**

### **PROVISIONS APPLICABLE TO RESTRICTED SHARES**

## **Section 3.1 Grants of Restricted Shares.**

The Committee may from time to time grant to eligible employees Restricted Shares on the terms and conditions set forth in the Plan and on such other terms and conditions as are not inconsistent with the purposes and provisions of the Plan, as the Committee, in its discretion, may from time to time determine. Each Agreement covering a grant of Restricted Shares shall specify the number of Restricted Shares granted, the Date of Grant, the price, if any, to be paid by the Participant for such Restricted Shares, the vesting schedule (as provided for in Section

3.2 hereof) and any Performance Goals for such Restricted Shares and any other terms that the Committee deems appropriate.

**Section 3.2 Vesting.**

The Committee shall establish the vesting schedule applicable to Restricted Shares granted hereunder, which vesting schedule shall specify the period of time, the increments in which a Participant shall vest in the Restricted Shares and/or any applicable Performance Goal requirements, subject to any restrictions that the Committee shall determine and specify in the applicable Agreement, *provided* that, unless otherwise determined by the Committee, Restricted Shares that vest contingently solely on the requirement of continued employment shall not fully vest in less than three years from the Date of Grant.

**Section 3.3 Rights and Restrictions Governing Restricted Shares.**

The Participant shall have all rights of a holder as to such shares of Class B Common Stock (including, to the extent applicable, the right to receive dividends (as described in Section 3.8) and to vote), subject to the following restrictions: (a) the Participant shall not be entitled to be registered on the books and records of the Company as a stockholder until such shares have vested; (b) none of the Restricted Shares may be sold, transferred, assigned, pledged or otherwise encumbered or disposed of until such shares have vested; and (c) except as otherwise provided in Section 3.6 below, all unvested Restricted Shares shall be immediately forfeited upon a Participant's termination of employment with the Company or any Subsidiary for any reason or the Participant's death, Retirement or Permanent Disability.

**Section 3.4 Adjustment with Respect to Restricted Shares.**

Any other provision of the Plan to the contrary notwithstanding, the Committee may, in its discretion, at any time accelerate the date or dates on which Restricted Shares vest. The Committee may, in its sole discretion, remove any and all restrictions on such Restricted Shares whenever it may determine that, by reason of changes in applicable law, the rules of any stock exchange on which the Class B Common Stock is listed or other changes in circumstances arising after the Date of Grant, such action is appropriate.

**Section 3.5 Delivery of Restricted Shares.**

On the date on which Restricted Shares vest, all restrictions contained in the Agreement covering such Restricted Shares and in the Plan shall lapse as to such Restricted Shares. Restricted Share Awards issued hereunder may be evidenced in such manner as the Committee in its discretion shall deem appropriate, including, without limitation, book-entry registration or issuance of one or more stock certificates. If stock certificates are issued, such certificates shall be delivered to the Participant or such certificates shall be credited to a brokerage account if the Participant so directs; *provided, however*, that such certificates shall bear such legends as the Committee, in its sole discretion, may determine to be necessary or advisable in order to comply with applicable federal or state securities laws.

**Section 3.6 Termination of Employment, Retirement.**

Unless otherwise provided in a Participant's employment agreement with the Company or a Subsidiary, in the event that the Participant's employment with the Company or any of its Subsidiaries terminates prior to the date or dates on which Restricted Shares vest, the Participant shall forfeit all unvested Restricted Shares as of the date of such event, unless the Committee determines otherwise and provides that some or all of such Participant's unvested Restricted Shares shall vest as of the date of such event or some other date or dates.

**Section 3.7 Grants of Unrestricted Shares.**

Subject to the limit set forth in the proviso in Section 1.5(b) (as such limit may be adjusted under Article IX hereof), the Committee may, in its sole discretion, make awards of unrestricted Class B Common Stock to eligible employees in recognition of outstanding achievements and performance.

### **Section 3.8 Delivery of Dividend Payments.**

Subject to the provisions of this Plan and any Agreement, the recipient of an Award of Restricted Shares may, if so determined by the Committee, be entitled to receive dividends with respect to the number of shares of Class B Common Stock covered by the Award, as determined by the Committee, in its sole discretion. The Committee shall determine the payment schedule for such amounts (if any) and may provide that such amounts (if any) shall accrue and be paid at the time that the related Award vests and is payable. The terms of any deferral or accrual of such amounts (if any) shall comply with all applicable laws, rules and regulations, including, without limitation, Section 409A.

## **ARTICLE IV**

### **PROVISIONS APPLICABLE TO RESTRICTED SHARE UNITS**

#### **Section 4.1 Grants of Restricted Share Units.**

The Committee may from time to time grant Restricted Share Units on the terms and conditions set forth in the Plan and on such other terms and conditions as are not inconsistent with the purposes and provisions of the Plan as the Committee, in its discretion, may from time to time determine. Each Restricted Share Unit awarded to a Participant shall correspond to one share of Class B Common Stock. Each Agreement covering a grant of Restricted Share Units shall specify the number of Restricted Share Units granted, the vesting schedule (as provided for in Section 4.2 hereof) for such Restricted Share Units and any Performance Goals and any other terms that the Committee deems appropriate.

#### **Section 4.2 Vesting.**

The Committee shall establish the vesting schedule applicable to Restricted Share Units granted hereunder, which vesting schedule shall specify the period of time, the increments in which a Participant shall vest in the Restricted Share Units and/or any applicable Performance Goal requirements, subject to any restrictions that the Committee shall determine and specify in the applicable Agreement, *provided* that, unless otherwise determined by the Committee, Restricted Share Units that vest contingently solely on the requirement of continued employment shall not fully vest in less than three years from the Date of Grant.

#### **Section 4.3 Adjustment with Respect to Restricted Share Units.**

Any other provision of the Plan to the contrary notwithstanding, the Committee may, in its discretion, at any time accelerate the date or dates on which Restricted Share Units vest.

#### **Section 4.4 Settlement of Restricted Share Units.**

Unless otherwise determined by the Committee, on the date on which Restricted Share Units vest, all restrictions contained in the Agreement covering such Restricted Share Units and in the Plan shall lapse as to such Restricted Share Units and the Restricted Share Units will be payable, at the discretion of the Committee, in cash equal to the Fair Market Value of the shares subject to such Restricted Share Units, in shares of Class B Common Stock or in other securities of the Company designated by the Committee or in a combination of cash, shares of Class B Common Stock or such other securities. Restricted Share Units paid in Class B Common Stock may be evidenced in such manner as the Committee in its discretion shall deem appropriate, including, without limitation, book-entry registration or issuance of one or more stock certificates. If stock certificates are issued, such certificates shall be delivered to the Participant or such certificates shall be credited to a brokerage account if the Participant so directs; *provided, however*, that such certificates shall bear such legends as the Company may determine to be necessary or advisable in order to comply with applicable federal or state securities laws. Unless the Committee determines otherwise, in no event shall payment pursuant to this Section 4.4 occur later than March 15th of the year following the year in which the Restricted Share Units are no longer subject to a substantial risk of forfeiture for purposes of Section 409A.

#### **Section 4.5 Termination of Employment.**

Unless otherwise provided in a Participant's employment agreement with the Company or a Subsidiary, in the event that the Participant's employment with the Company or any of its Subsidiaries terminates prior to the date or dates on which Restricted Share Units vest, the Participant shall forfeit all unvested Restricted Share Units as of the date of such event, unless the Committee determines otherwise and provides that some or all of such Participant's unvested Restricted Share Units shall vest as of the date of such event or some other date or dates. In the case of the Participant's death, payment in respect of the Participant's Restricted Share Units shall be made in the manner provided in Section 4.4 to the person or persons who acquired the right to receive such payment by will or the laws of descent and distribution or by permitted transfer or beneficiary designation.

### **ARTICLE V**

#### **PROVISIONS APPLICABLE TO PHANTOM SHARES**

##### **Section 5.1 Grants of Phantom Shares.**

The Committee may from time to time grant to eligible employees Phantom Shares, the value of which is determined by reference to a share of Class B Common Stock, on the terms and conditions set forth in the Plan and on such other terms and conditions as are not inconsistent with the purposes and provisions of the Plan as the Committee, in its discretion, may from time to time determine. Each Agreement covering a grant of Phantom Shares shall specify the number of Phantom Shares granted, the Initial Value of such Phantom Shares, the Valuation Dates, the number of Phantom Shares whose Appreciation Value shall be determined on each such Valuation Date, any applicable vesting schedule (as provided for in Section 5.3 hereof) and Performance Goals for such Phantom Shares, and any applicable limitation on payment (as provided for in Section 5.4 hereof) for such Phantom Shares and any other terms that the Committee deems appropriate.

##### **Section 5.2 Appreciation Value.**

(a) *Valuation Dates; Measurement of Appreciation Value.* The Committee shall provide in the Agreement for one or more Valuation Dates on which the Appreciation Value of the Phantom Shares granted pursuant to the Agreement shall be measured and fixed, and shall designate in the Agreement the number of such Phantom Shares whose Appreciation Value is to be calculated on each such Valuation Date. Unless otherwise determined by the Committee, each Valuation Date shall be December 15 and no Valuation Date shall occur later than the year in which the eighth (8th) anniversary of the Date of Grant occurs.

(b) *Payment of Appreciation Value.* Except as otherwise provided in Section 5.5 hereof, and subject to the limitation contained in Section 5.4 hereof, the Appreciation Value of a Phantom Share shall be paid to a Participant in cash, or in the discretion of the Committee, in shares of Class B Common Stock or other securities of the Company designated by the Committee or in a combination of cash, shares of Class B Common Stock or such other securities, as soon as practicable following the Valuation Date applicable to such Phantom Share. In no event shall a payment occur pursuant to the previous sentence later than the 60th day following the Valuation Date applicable to such Phantom Share.

##### **Section 5.3 Vesting.**

The Committee may establish a vesting schedule applicable to Phantom Shares granted hereunder, which vesting schedule shall specify the period of time, the increments in which a Participant shall vest in the Phantom Shares and/or any applicable Performance Goal requirements, subject to any restrictions that the Committee shall determine and specify in the applicable Agreement.

##### **Section 5.4 Limitation on Payment.**

The Committee may, in its discretion, establish and set forth in the Agreement a maximum dollar amount payable under the Plan for each Phantom Share granted pursuant to such Agreement.

## **Section 5.5 Termination of Employment, Retirement, Death or Permanent Disability.**

(a) *Termination Other Than for Cause, or due to Retirement, Death or Permanent Disability.* Except as otherwise provided in this Section 5.5, if, before the occurrence of one or more Valuation Dates applicable to the Participant's Outstanding Phantom Shares, (i) the Participant's employment with the Company or any of its Subsidiaries ends by reason of the voluntary termination by the Participant, the termination by the Company or any of its Subsidiaries other than for Cause or the Participant's Retirement or (ii) the Participant's death or Permanent Disability occurs, then, unless the Committee, in its discretion, determines otherwise, the Appreciation Value of each Outstanding Phantom Share as to which the Participant's rights are vested as of the date of such event shall be the lesser of (x) the Appreciation Value of such Phantom Share calculated as of the date of such event or (y) the Appreciation Value of such Phantom Share calculated as of the originally scheduled Valuation Date applicable thereto. Unless the Committee, in its discretion, determines otherwise and so specifies in the applicable Award Agreement or otherwise in compliance with Section 409A, the Appreciation Value so determined for each such vested Outstanding Phantom Share shall then be payable to the Participant following the originally scheduled Valuation Date applicable thereto in accordance with Section 5.2(b) hereof. Upon the occurrence of an event described in this Section 5.5(a), unless the Committee determines otherwise, all rights with respect to Phantom Shares that are not vested as of such date will be relinquished.

(b) *Termination for Cause.* If a Participant's employment with the Company or any of its Subsidiaries ends due to a termination of employment for Cause, then, unless the Committee, in its discretion, determines otherwise, all Outstanding Phantom Shares, whether or not vested, and any and all rights to the payment of Appreciation Value with respect to such Outstanding Phantom Shares shall be forfeited effective as of the date of such termination.

## **ARTICLE VI**

### **PERFORMANCE AWARDS**

#### **Section 6.1 Grants of Performance Awards.**

The Committee may from time to time grant to eligible employees Performance Awards consisting of Performance Shares or Performance Share Units on the terms and conditions set forth in the Plan and on such other terms and conditions as are not inconsistent with the purposes and provisions of the Plan, as the Committee, in its discretion, may from time to time determine. Performance Awards may be granted either alone or in addition to other Awards made under the Plan.

#### **Section 6.2 Performance Goals.**

Unless otherwise determined by the Committee, the grant, vesting and/or exercisability of Performance Awards shall be conditioned, in whole or in part, on the attainment of performance targets, in whole or in part, related to one or more performance goals over a Performance Period. For any such Performance Awards that are intended to qualify for the Section 162(m) Exception, the performance targets on which the grant, vesting and/or exercisability are conditioned shall be selected by the Committee from among the following goals (the "Section 162(m) Performance Goals"): OIBDA, OIBDA Without Intercompany Eliminations, Operating Income, Free Cash Flow, Net Earnings, Net Earnings from Continuing Operations, Earnings Per Share, Revenue, Net Revenue, Operating Revenue, total shareholder return, share price, return on equity, return in excess of cost of capital, profit in excess of cost of capital, return on assets, return on invested capital, net operating profit after tax, operating margin, profit margin or any combination thereof. In addition, for any Awards not intended to qualify for the Section 162(m) Exception, the Committee may establish performance targets based on other performance goals as it deems appropriate (together with the Section 162(m) Performance Goals, the "Performance Goals"). The Performance Goals may be described in terms of objectives that are related to the individual Participant or objectives that are Company-wide or related to a Subsidiary, division, department, region, function or business unit and may be measured on an absolute or cumulative basis or on the basis of percentage of improvement over time, and may be measured in terms of Company performance (or performance of the applicable Subsidiary, division, department, region, function or business unit) or measured relative to selected peer companies or a market index.

**Section 6.3 Performance Goals on Awards other than Performance Awards.**

The Committee, in its sole discretion, may also require that the grant, vesting and/or exercisability of Awards other than Performance Awards be conditioned, in whole or in part, on the attainment of performance targets, in whole or in part, related to Performance Goals over a Performance Period, as described in Section 6.2.

**Section 6.4 Discretion to Reduce Awards.**

The Committee retains the right to reduce any Award below the maximum amount that could be paid based on the degree to which the Performance Goals related to such Award were attained. The Committee may not increase any Award intended to qualify for the Section 162(m) Exception in any manner that would adversely affect the treatment of the Award under the Section 162(m) Exception.

**Section 6.5 Adjustment of Calculation of Performance Goals.**

In the event that, during any Performance Period, any recapitalization, reorganization, merger, acquisition, divestiture, consolidation, spin-off, combination, liquidation, dissolution, sale of assets or other similar corporate transaction or event, or any other extraordinary event or circumstance occurs which has the effect, as determined by the Committee of distorting the applicable performance criteria involving the Company, including, without limitation, changes in accounting standards, the Committee shall adjust or modify the calculation of the Performance Goals, to the extent necessary to prevent reduction or enlargement of the Participants' Awards under the Plan for such Performance Period attributable to such transaction, circumstance or event. All determinations that the Committee makes pursuant to this Section 6.5 shall be conclusive and binding on all persons for all purposes.

**ARTICLE VII**

**SUBSTITUTE AWARDS**

Notwithstanding any terms or conditions of the Plan to the contrary, the Committee may provide for Substitute Awards under the Plan upon assumption of, or in substitution for, outstanding awards previously granted by a company or other entity all or a portion of the assets or equity of which is acquired by the Company, with which the Company merges or otherwise combines or from which the Company is spun-off or otherwise separated. Without limiting the generality of the preceding sentence, Substitute Awards include Awards granted in connection with the Separation in substitution for stock options, restricted share units and other awards of the former Viacom Inc. (renamed CBS Corporation) granted prior to the Separation Date. Notwithstanding any terms or conditions of the Plan to the contrary, Substitute Awards may have substantially the same terms and conditions, including without limitation provisions relating to vesting, exercise periods, expiration, payment, forfeiture, and the consequences of termination of employment and changes in control, as the awards that they replace.

**ARTICLE VIII**

**DIVIDEND EQUIVALENTS AND OTHER AWARDS**

**Section 8.1 Dividend Equivalents.**

Subject to the provisions of this Plan and any Agreement, the recipient of an Award (including, without limitation, any Award deferred pursuant to Section 10.9) may, if so determined by the Committee, be entitled to receive interest or dividends or Dividend Equivalents, with respect to the number of shares of Class B Common Stock covered by the Award, as determined by the Committee, in its sole discretion. The Committee shall determine the payment schedule for such amounts (if any) and may provide that such amounts (if any) shall accrue and be paid at the time that the related Award vests and is payable. The terms of any deferral or accrual of such amounts (if any) shall comply with all applicable laws, rules and regulations, including, without limitation, Section 409A.

**Section 8.2 Other Awards.**

The Committee shall have the authority to specify the terms and provisions of other forms of equity-based or equity-related awards not described above that the Committee determines to be consistent with the purpose of the Plan and the interests of the Company. Other Awards may also include cash payments under the Plan which may be based on one or more criteria determined by the Committee that are unrelated to the value of Class B Common Stock and that may be granted in tandem with, or independent of, Awards granted under the Plan.

**ARTICLE IX**

**EFFECT OF CERTAIN CORPORATE CHANGES**

In the event of a merger, consolidation, stock-split, reverse stock-split, dividend, distribution, combination, reclassification, reorganization, split-up, spin-off or recapitalization that changes the character or amount of the Class B Common Stock or any other changes in the corporate structure, equity securities or capital structure of the Company, the Committee shall make such adjustments, if any, to (i) the number and kind of securities subject to any outstanding Award, (ii) the exercise price or purchase price, if any, of any outstanding Award or the Initial Value of any Outstanding Phantom Shares, and (iii) the maximum number and kind of securities referred to in Section 1.5(a) and (b) and Section 1.6(a) and Section 1.6(b) of the Plan, in each case, as it deems appropriate. The Committee may, in its sole discretion, also make such other adjustments as it deems appropriate in order to preserve the benefits or potential benefits intended to be made available hereunder. All determinations that the Committee makes pursuant to this Article IX shall be conclusive and binding on all persons for all purposes. Any adjustments made pursuant to this Article IX shall be made in a manner consistent with the requirements of Section 409A.

**ARTICLE X**

**MISCELLANEOUS**

**Section 10.1 No Rights to Awards or Continued Employment.**

Nothing in the Plan or in any Agreement, nor the grant of any Award under the Plan, shall confer upon any individual any right to be employed by or to continue in the employment of the Company or any Subsidiary thereof, nor to be entitled to any remuneration or benefits not set forth in the Plan or such Agreement, including the right to receive any future Awards under the Plan or any other plan of the Company or any Subsidiary thereof or interfere with or limit the right of the Company or any Subsidiary thereof to modify the terms of or terminate such individual's employment at any time for any reason. All grants of Awards and deliveries of shares of Class B Common Stock, cash or other property under the Plan shall constitute a special discretionary incentive payment to the Participant and shall not be required to be taken into account in computing the amount of salary or compensation of the Participant for the purpose of determining any contributions to or any benefits under any pension, retirement, profit-sharing, bonus, life insurance, severance or other benefit plan of the Company, or payments based on the Fair Labor Standards Act of 1938, or under any agreement with the Participant, unless the Company specifically provides otherwise.

**Section 10.2 Restriction on Transfer.**

The rights of a Participant with respect to any Award shall not be transferable, except by will, the laws of descent and distribution or beneficiary designation; *provided* that the Committee may permit other transferability, subject to any conditions and limitations that it may, in its sole discretion, impose. During a Participant's lifetime, the Participant's rights with respect to any Award may be exercised only by the Participant or by any transferee to whom the Award has been transferred in accordance with the preceding sentence.

**Section 10.3 Taxes.**

The Company or a Subsidiary thereof, as appropriate, shall have the right to deduct from all payments made under the Plan to a Participant, a Participant's estate or a Participant's permitted transferee or beneficiary any

federal, state, local or other taxes required by law to be withheld with respect to such payments. The Committee, in its discretion, may require, as a condition to the exercise or settlement of any Award or delivery of any certificate(s) for shares of Class B Common Stock, that an additional amount be paid in cash equal to the amount of any federal, state, local or other taxes required to be withheld as a result of such exercise or settlement. In addition, the Committee may establish procedures to allow Participants to satisfy such withholding obligations through a net share settlement procedure or the withholding of shares subject to the applicable Award, or through a "cashless exercise" procedure as described in Section 2.4. Any Participant who makes an election under Section 83(b) of the Code to have his Award taxed in accordance with such election must give notice to the Company of such election immediately upon making a valid election in accordance with the rules and regulations of the Code. Any such election must be made in accordance with the rules and regulations of the Code.

**Section 10.4 Stockholder Rights.**

No Award under the Plan shall entitle a Participant or a Participant's estate or permitted transferee or beneficiary to any rights of a holder of shares of Class B Common Stock of the Company, except as provided in Article III with respect to Restricted Shares, until the Participant, the Participant's estate or the permitted transferee or beneficiary is registered on the books and records of the Company as a stockholder with respect to the exercise or settlement of such Award, and no adjustments shall be made for dividends or distributions on, or other events relating to, shares of Class B Common Stock subject to an Award for which the record date is prior to the date such registration.

**Section 10.5 No Restriction on Right of Company to Effect Corporate Changes.**

The Plan shall not affect in any way the right or power of the Company or its stockholders to make or authorize any or all adjustments, recapitalizations, reorganizations or other changes in the Company's capital structure or its business, or any merger or consolidation of the Company, or any issue of stock or of options, warrants or rights to purchase stock or of bonds, debentures, preferred or prior preference stock whose rights are superior to or affect the Class B Common Stock or the rights thereof or which are convertible into or exchangeable for Class B Common Stock, or the dissolution or liquidation of the Company, or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding, whether of a similar character or otherwise.

**Section 10.6 Source of Payments.**

The general funds of the Company shall be the sole source of cash settlements of Awards under the Plan and payments of Appreciation Value and the Company shall not have any obligation to establish any separate fund or trust or other segregation of assets to provide for payments under the Plan. Nothing contained in this Plan, and no action taken pursuant to its provisions, shall create or be construed to create a trust of any kind, or a fiduciary relationship, between the Company and a Participant or any other person. To the extent a person acquires any rights to receive payments hereunder from the Company, such rights shall be no greater than those of an unsecured creditor.

**Section 10.7 Exercise Periods Following Termination of Employment.**

For the purposes of determining the dates on which Awards may be exercised following a termination of employment or following the Retirement, death or Permanent Disability of a Participant, the day following the date of such event shall be the first day of the exercise period and the Award may be exercised up to and including the last business day falling within the exercise period. Thus, if the last day of the exercise period is not a business day, then the last date an Award may be exercised is the last business day preceding the end of the exercise period.

**Section 10.8 Repayments.**

The Committee may include in any Agreement a provision requiring the Participant to return gains (as defined by the Committee) realized on Awards made under the Plan in the event the Committee determines that a material breach of specified obligations under one or more written agreements between a Participant and the Company has occurred during the one year period after termination of the Participant's employment with the

Company or a Subsidiary. In addition, the Committee may require a Participant to return gains (as defined by the Committee) on any Performance Award if the Performance Goals used to determine the grant, vesting and/or exercisability of such Performance Award are subsequently restated or otherwise adjusted in a manner that would reduce the size of the Performance Award or any payment thereunder.

**Section 10.9 Deferral of Awards.**

The Committee may establish procedures pursuant to which the payment of any Award may be deferred. Any such deferral shall be made in a manner that conforms to the requirements of Section 409A applicable to initial and subsequent deferrals, and the Committee shall set forth in writing (which may be in electronic form), on or before the date the applicable deferral election is required to be irrevocable in order to meet the requirements of Section 409A, the conditions under which such election may be made.

**Section 10.10 Employment of Participant by Subsidiary.**

Unless the Committee determines otherwise, the employment of a Participant who works for a Subsidiary shall terminate, for Plan purposes, on the date on which the Participant's employing company ceases to be a Subsidiary.

**Section 10.11 Section 409A.**

If any provision of the Plan or an Agreement contravenes any regulations or Treasury guidance promulgated under Section 409A or could cause a Participant to be required to recognize income for United States federal income tax purposes prior to the time of payment, settlement or exercise of an Award or to be subject to any tax or interest under Section 409A, such provision of the Plan or any Agreement may be modified to maintain, to the maximum extent practicable, the original intent of the applicable provision without the imposition of any tax or interest under Section 409A. Moreover, any discretionary authority that the Board or the Committee may have pursuant to the Plan shall not be applicable to an Award that is subject to Section 409A to the extent such discretionary authority will contravene Section 409A.

**ARTICLE XI**

**AMENDMENT AND TERMINATION**

The Plan may be terminated and may be altered, amended, suspended or terminated at any time, in whole or in part, by the Board; *provided, however*, that no alteration or amendment will be effective without stockholder approval if such approval is required by law or under the rules of the New York Stock Exchange or other principal stock exchange on which the Class B Common Stock is listed. No termination or amendment of the Plan may, without the consent of the Participant to whom an Award has been made, materially adversely affect the rights of such Participant in such Award. Notwithstanding any provision herein to the contrary, the Committee shall have broad authority to amend the Plan or any outstanding Award under the Plan without approval of the Participant to the extent necessary or desirable (i) to comply with, or take into account changes in, applicable tax laws, securities laws, accounting rules and other applicable laws, rules and regulations or (ii) to ensure that a Participant is not required to recognize income for United States federal income tax purposes prior to the time of payment, settlement or exercise of an Award or subject to interest and additional tax under Section 409A with respect to any Award. Unless previously terminated pursuant to this Article XI, the Plan shall terminate on the fifth anniversary of the Effective Date, and no further Awards may be granted hereunder after such date.

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**ARTICLE XII**  
**INTERPRETATION**

**Section 12.1 Governmental Regulations.**

The Plan, and all Awards hereunder, shall be subject to all applicable rules and regulations of governmental or other authorities.

**Section 12.2 Headings.**

The headings of articles and sections herein are included solely for convenience of reference and shall not affect the meaning of any of the provisions of the Plan.

**Section 12.3 Governing Law.**

The Plan and all rights hereunder shall be construed in accordance with and governed by the laws of the State of Delaware.

**ARTICLE XIII**  
**EFFECTIVE DATE AND STOCKHOLDER APPROVAL**

The Plan became effective as of January 1, 2006 and amended and restated on April 12, 2007. The Plan obtained the approval of the Company's stockholders at the 2007 annual meeting of stockholders. The Committee approved additional amendments to the Plan on December 2, 2008.

**VIACOM EXCESS PENSION PLAN**  
**EFFECTIVE JANUARY 1, 2006**  
**As Amended and Restated January 1, 2009**

**1. Establishment and Effective Date**

- (a) Effective January 1, 1989, Viacom Inc. established and maintained an unfunded plan of deferred compensation. This plan was originally named the Excess Pension Plan for Certain Employees of Viacom International Inc., was renamed the Viacom Excess Pension Plan, and was maintained by Viacom Inc. (EIN 04-2949533) on December 31, 2005. The discussion below refers to Viacom Inc. prior to 2006 as “Old Viacom” and to the Viacom Excess Pension Plan prior to 2006 as the “Old Viacom Excess Pension Plan.”
- (b) On December 31, 2005, Old Viacom was restructured and separated into two publicly traded companies – Old Viacom, which was renamed CBS Corporation, and a new company outside the controlled group of Old Viacom, which was named Viacom Inc. (EIN 20-3515052). New Viacom Inc. consists principally of the following businesses: MTV Networks, BET, Paramount Pictures, Paramount Home Entertainment, and Famous Music. This new plan – the new Viacom Excess Pension Plan – was created, effective January 1, 2006, to benefit the employees of the new Viacom Inc. (the “Company” or “Viacom Inc.”) and its participating subsidiaries. Old Viacom approved the spinoff of benefit liabilities associated with (a) Old Viacom Excess Pension Plan participants who were employees of Old Viacom and its subsidiaries on December 31, 2005 and became employees of a business which is part of the new Viacom Inc. controlled group on January 1, 2006, (b) Old Viacom Excess Pension Plan participants who terminated employment with Old Viacom and its subsidiaries prior to December 31, 2005 and whose last employment with Old Viacom and its subsidiaries prior to January 1, 2006 was with a business which is part of the new Viacom Inc. controlled group on January 1, 2006 (including last employment with the Paramount Pictures corporate office, but not with the Old Viacom corporate office), and (c) Old Viacom Excess Pension Plan participants who terminated employment with Old Viacom and its subsidiaries prior to January 1, 2006 and whose last employment with Old Viacom and its subsidiaries prior to January 1, 2006 was with Blockbuster Inc and its subsidiaries. The new

Viacom Inc. adopted this new Plan, which was first effective on January 1, 2006. The amount of any spun-off liabilities was determined under the terms of the Old Viacom Excess Pension Plan as in effect on December 31, 2005. Capitalized terms that are not otherwise defined have the meaning ascribed to them in the Viacom Pension Plan.

(c) This amendment and restatement of the Plan is effective January 1, 2009.

## **2. Purpose**

The purpose of this Plan is to provide benefits to employees who are participants in the Viacom Pension Plan (the "Qualified Plan") and whose benefits under the Qualified Plan are subject to limitations imposed by Section 401(a)(17) and Section 415 of the Internal Revenue Code of 1986, as amended (the "Code"). Before January 1, 2006, the Qualified Plan was maintained by Old Viacom. Effective January 1, 2006, certain Qualified Plan assets and liabilities were spun off from the old Qualified Plan to a new Qualified Plan, maintained by new Viacom Inc. In addition, certain assets and liabilities from the CBS Combined Pension Plan (the "CCPP") were spun off from the CCPP to the new Qualified Plan. References below to the Qualified Plan mean the old Qualified Plan for periods prior to January 1, 2006 and the new Qualified Plan for periods on and after January 1, 2006. This Plan is intended to comply with Section 409A of the Code and the rules, regulations and guidance thereunder ("Section 409A"). Notwithstanding any other provision of the Plan, this Plan shall be interpreted, operated and administered in a manner consistent with these intentions. The Plan has been administered in good faith compliance with Section 409A through December 31, 2008.

## **3. Administration**

This Plan shall be administered by the Retirement Committee whose members were initially appointed by the Board of Directors of the Company and can be subsequently removed or replaced by the President and Chief Executive Officer of the Company (hereinafter called the "Committee"), which shall administer it in a manner consistent with the administration of the Qualified Plan, except that this Plan shall be administered as an unfunded plan that is not intended to meet the qualification requirements of Section 401(a) of the Code. The Committee's decisions in all matters involving the interpretation and application of this Plan shall be final. The Committee may act on its own behalf or through the actions of its duly authorized representative.

The Committee shall be the final review committee under the Plan, with the authority to determine conclusively for all parties any and all questions arising from the administration of the Plan, and shall have sole and complete discretionary authority and control to manage the operation and administration of the Plan, including, but not limited to, the determination of all questions relating to eligibility for participation and benefits, interpretation of all Plan provisions, determination of the amount and kind of benefits payable to any participant, spouse or beneficiary, and construction of disputed or doubtful terms. Such decisions shall be conclusive and binding on all parties and not subject to further review.

#### **4. Eligibility**

Employees eligible to participate in the Plan are those Employees who are (i) Participants in the Qualified Plan and whose rate of annual base salary plus actual commissions received for the prior year (excluding any commissions and Commission Overages paid on or after January 1, 2008 to an MTV Networks employee) is equal to or in excess of the annual compensation limit in effect under Section 401(a)(17) of the Code, and (ii) designated by the Committee as Employees eligible to participate in the Plan. If an Employee becomes an eligible Employee in any Plan Year, such Employee shall remain an eligible Employee for all future Plan Years.

For purposes of this Plan, "Compensation" means the total compensation taken into account under the Qualified Plan (without regard to the limitations of Section 401(a)(17) of the Code and the regulations thereunder) plus any deferrals under any non-qualified deferred compensation plan maintained by the Company, including bonus deferrals under any such plan.

In general, an eligible Employee's Compensation under this Plan and the Viacom Pension Plan shall be subject to a maximum annual Compensation limit of \$750,000. However, special limits on annual Compensation are set out in Appendix A.

In no event shall an Employee who is not eligible to participate in the Qualified Plan be eligible to participate in this Plan.

#### **5. Amount of Benefit**

The benefits payable to an eligible Employee or his beneficiary(ies) under this Plan shall equal the excess, if any, of:

- (a) the benefits which would have been paid to such Employee, or on his behalf to his beneficiary(ies), under the Qualified Plan, if the provisions of such Plan were administered without regard to the limitations required by Code Sections 401(a)(17) and 415 and by including all Compensation (as defined in Section 4 above) earned by such Employee, over
- (b) the benefits which are payable to such Employee or on his behalf to his beneficiary(ies) under the Qualified Plan.

In determining the benefits of any eligible Employee who prior to January 1, 1996 was a participant in the Paramount Communications Inc. Retirement Plan, such eligible Employee shall not be credited with any Benefit Service prior to January 1, 1996. In determining the Ongoing Benefit of an Employee who is disabled and receiving benefits under the Company's long term disability plan, such Employee shall continue to earn Benefit Service until he has a Separation from Service pursuant to Section 6(c).

**6. Payment of Benefits**

- (a) Ongoing Benefit. An eligible Employee's Ongoing Benefit means the portion of his benefit accrued, earned, or vested after December 31, 2004. Subject to the last paragraph of this Section 6(a), an eligible Employee's Ongoing Benefit shall be paid in an annuity form beginning as of the later of the following dates:
  - (i) The first of the month following or coincident with the six-month anniversary of the Employee's Separation from Service.
  - (ii) The first of the month following or coincident with the date an eligible Employee attains age 55 or, in the case of an Employee's death, on the date the Employee would have attained age 55.

In all cases, the benefit will be determined based on the Employee's age at the time of the commencement of the benefit.

In general, an eligible Employee's Ongoing Benefit shall be paid in a single life annuity form if the Employee does not have a spouse or a Same Sex Domestic Partner (as defined in the Qualified Plan), and shall be paid in a 50% joint and survivor annuity form if the eligible Employee has a spouse or a Same Sex Domestic Partner. However,

an eligible Employee may elect, during the 90-to-30 day period preceding the eligible Employee's annuity commencement date, any life annuity distribution form that is available under the Qualified Plan provided the annuity distribution forms commence on the first scheduled date of the original annuity payment and are actuarially equivalent applying reasonable actuarial methods and assumptions. If the eligible Employee has a spouse or a Same Sex Domestic Partner at the annuity commencement date, the spouse or Same Sex Domestic Partner must consent to the alternative distribution form, and such consent must be witnessed by a notary public.

Notwithstanding the provisions of this Section 6(a), (i) Ongoing Benefits that commence prior to January 1, 2009 shall be subject to the Grandfathered Benefit payment rules set out in Section 6(b) below rather than the provisions of this Section 6(a) and (ii) Ongoing Benefits of an Employee who Separates from Service on or after January 1, 2005 and prior to January 1, 2009 that have not commenced prior to January 1, 2009 will be subject to the Ongoing Benefit payment rules set out in this Section 6(a), unless the Employee made a one-time irrevocable election prior to January 1, 2009 to specify the date that the Ongoing Benefit will commence. as provided in the following sentence. The benefit commencement date that can be elected is the first day of any month from the later of (A) the Employee's attainment of age 55 and (B) the Employee's Normal Retirement Date under the Qualified Plan; provided, however, that in no event can payment begin earlier than the first of the month following the six-month anniversary of the Employee's Separation from Service.

- (b) Grandfathered Benefit. Payment of Grandfathered Benefits under this Plan shall be coincident with and in the same form and manner as the payment of the limited benefit payments made to the Employee or on his behalf to his beneficiaries under the Qualified Plan. An eligible Employee's Grandfathered Benefit means the portion of his benefit accrued, earned, and vested before January 1, 2005 under the Old Viacom Excess Pension Plan.
- (c) Separation from Service. For purposes of this Plan, "Separation from Service" and "Separates from Service" means an employee's termination of employment due to death, retirement or other termination of employment as provided for under Section 409A. In the case of an Employee who is disabled and receiving disability benefits under the Company's long term disability plan, a Separation

from Service will be deemed to occur at the earlier of (A) the first of the month following or coincident with the date the Employee ceases to receive disability benefits under the Company's long term disability plan or (B) the first of the month following or coincident with the date that is 23 months after the Employee begins receiving disability benefits under the Company's long term disability plan (i.e., 29 months after the leave commences).

- (d) Reemployment. Any payments of Ongoing Benefits that commenced due to the Employee's Separation from Service will not cease or be suspended if the Employee subsequently becomes reemployed by the Company or any other entity that is required to be aggregated with the Company pursuant to Code Sections 414(b), (c), (m) or (o).
- (e) Small Benefits. The Committee in its discretion may require that, notwithstanding any elections by a Employee, if the present value of the Employee's Ongoing Benefit is less than the applicable dollar amount under Section 402(g)(1)(B) of the Code at the time the Employee Separates from Service, the present value of the Employee's Ongoing Benefit shall be distributed in a lump sum payment on the date determined above. In order for the Committee to exercise its discretion to require this lump sum distribution for future payments of Ongoing Benefits, the Committee's exercise in discretion must be evidenced in writing no later than the date of the first such payment. Notwithstanding the foregoing, no distribution under this subsection shall be provided to employees who terminated prior to January 1, 2009.
- (f) Designation of Separate Payments. For purposes of this Plan, entitlement to a series of benefit payments under the Plan shall be treated as an entitlement to a series of separate payments, with each benefit payment being considered, and hereby designated as, a separate payment for purposes of Section 409A.

#### 7. **Benefits Payable from Company Assets**

Benefits under this Plan shall be payable from the general assets of the Company.

## **8. Amendment and Discontinuance**

The Company expects to continue this Plan indefinitely. However, the Board of Directors of the Company shall have the right to amend, suspend or terminate the Plan at any time, if, in its sole judgment, such a change is deemed necessary or desirable. The Committee shall have the right to amend the Plan at any time, unless provided otherwise in the Company's governing documents.

However, if the Board of Directors of the Company or the Committee should amend the Plan, or if the Board of Directors of the Company should suspend or terminate the Plan, the Company shall be liable for any benefits that would have been accrued by an Employee under the Plan if the Employee had terminated employment on the date of such amendment, suspension or plan termination. Notwithstanding such liability of the Company, payments of the benefits accrued by an Employee under the Plan shall not be made upon such suspension or termination but instead shall be made under the regular payment provisions in the Plan.

## **9. Claims Procedure**

The Committee shall have the exclusive right to interpret the Plan and to decide any and all matters arising thereunder.

- (a) Claim for Benefit. Claims as to the amount of any distribution or method of payment under the Plan must be submitted in writing to the Committee. The Committee shall notify the Participant of its decision by written or electronic notice, in a manner calculated to be understood by the Participant. The notice shall set forth:
- (i) the specific reasons for the denial of the claim;
  - (ii) a reference to specific provisions of the Plan on which the denial is based;
  - (iii) a description of any additional material or information necessary to perfect the claim and an explanation of why such material or information is necessary; and
  - (iv) an explanation of the Plan's claims review procedure for the denied or partially denied claim and any applicable time limits, and a statement that the Participant has a right to bring a civil action under Section 502(a) of the Employee Retirement Income Security Act of 1974, as amended

("ERISA") following an adverse benefit determination on review.

Such notification shall be given within 90 days after the claim is received by the Committee (or within 180 days, if special circumstances require an extension of time for processing the claim, and provided written notice of such extension and circumstances and the date a decision is expected is given the Participant within the initial 90-day period). The time period begins when the claim is filed, regardless of whether the Plan has all of the information necessary to decide the claim at the time of filing. A claim is considered approved only if its approval is communicated in writing to the Participant.

- (b) Review or Denial of Claim. Upon denial of a claim in whole or in part, a Participant shall have the right to submit a written request to the Committee for a full and fair review of the denied claim. A request for review of a claim must be submitted within 60 days of receipt by the Participant of written notice of the denial of the claim. If the Participant fails to file a request for review within 60 days of the denial notification, the claim will be deemed abandoned and the Participant precluded from reasserting it. Also, if the Participant is not provided a notice of denial, the Participant may submit a written request for review to the Committee.

The Participant shall have, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to the Participant's claim for benefits. The Participant may submit written comments, documents, records, and other information relating to the claim for benefits. The review shall take into account all comments, documents, records, and other information submitted by the Participant relating to the claim, without regard to whether such information was submitted or considered in the initial benefit determination. Failure to raise issues or present evidence on review will preclude those issues or evidence from being presented in any subsequent proceeding or judicial review of the claim.

- (c) Decision by the Committee. The Committee will advise the Participant of the results of the review within 60 days after receipt of the written request for review (or within 120 days if special circumstances require an extension of time for processing the

request, and if notice of such extension and circumstances is given to such Participant within the initial 60 day period).

The decision on review shall be in written or electronic form, in a manner calculated to be understood by the Participant. The notice shall set forth:

- (i) the specific reasons for the denial of the appeal of the claim;
- (ii) the specific reference to pertinent provisions of the Plan on which the denial is based;
- (iii) a statement that the Participant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to the Participant's claim for benefits;
- (iv) a statement describing any voluntary appeal procedures offered by the Plan (if any) and the Participant's right to obtain the information about such procedures and a statement of the Participant's right to bring an action under Section 502(a) of ERISA.

To the extent of its responsibility to review the denial of benefit claims, the Committee shall have full authority to interpret and apply in its discretion the provisions of the Plan. The Committee may request a meeting to clarify any matters deemed appropriate.

A Participant, beneficiary, or other individual alleging a violation of or seeking any remedy under any provision of ERISA shall also be subject to the claims procedure described in this Section 9. Any such claim shall be filed within one year of the time the claim arises or it shall be deemed waived and abandoned. Also, any suit or legal action will be subject to a one-year limitation period, measured from the date a claim arises and tolled during the period that any claim is pending under the claims procedures of this Section 9.

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## **Appendix A – Special Limits on Annual Compensation**

Notwithstanding the provisions of Section 4 of the Plan, the following special limits on annual Compensation shall apply to Employees who became Participants in the Plan on January 1, 2006:

- For a Participant who was eligible as of December 31, 1995 under the Old Viacom Excess Pension Plan and whose base salary as of December 31, 1995 exceeded \$750,000, the maximum annual Compensation under this Plan for the 1996 Plan Year and each subsequent Plan Year shall be the Employee's base salary as of December 31, 1995.
- For a Participant who is also a full-time employee of CBS Corporation or a member of its controlled group and a participant in the Old Viacom Pension Plan and the Old Viacom Excess Pension Plan on and after January 1, 2006, the maximum annual Compensation for the 2006 Plan Year and each subsequent Plan Year shall be \$375,000.

**VIACOM  
EXCESS 401(k) PLAN  
FOR DESIGNATED SENIOR EXECUTIVES**

**EFFECTIVE JANUARY 1, 2006  
As Amended and Restated January 1, 2009**

Section 1. Establishment and Purpose of the Plan.

1.1 Establishment.

(a) Effective August 28, 2002, Viacom Inc. established and maintained an unfunded plan of voluntarily deferred compensation. The plan was known as the Viacom Excess 401(k) Plan for Designated Senior Executives. The discussion below refers to Viacom Inc. prior to 2006 as “Old Viacom” and to the Viacom Excess 401(k) Plan for Designated Senior Executives prior to 2006 as the “Old Viacom Excess 401(k) Plan for Designated Senior Executives.”

(b) On December 31, 2005, Old Viacom was restructured and separated into two publicly traded companies – Old Viacom, which was renamed CBS Corporation, and a new company outside the controlled group of Old Viacom, which was named Viacom Inc. (EIN 20-3515052). New Viacom Inc. consists principally of the following businesses: MTV Networks, BET, Paramount Pictures, Paramount Home Entertainment, and Famous Music. This new plan – the new Viacom Excess 401(k) Plan for Designated Senior Executives – was created, effective January 1, 2006, to benefit the employees of the new Viacom Inc. (the “Company” or “Viacom Inc.”) and its participating subsidiaries. Old Viacom approved the spinoff of benefit liabilities associated with (1) participants in the Old Viacom Excess 401(k) Plan for Designated Senior Executives who were employees of Old Viacom and its subsidiaries on December 31, 2005 and were employees of a business which is part of the new Viacom Inc. controlled group on January 1, 2006 and (2) participants in the Old Viacom Excess 401(k) Plan for Designated Senior Executives who terminated employment with Old Viacom and its subsidiaries prior to December 31, 2005 and whose last employment with Old Viacom and its subsidiaries prior to January 1, 2006 was with a business which is part of the new Viacom Inc. controlled group on January 1, 2006 (including last employment with the Paramount Pictures corporate office, but not with the Old Viacom corporate office). The new Viacom Inc. adopted this new Plan, which was first effective on January 1, 2006. The amount of any spun-off liabilities was determined under the terms of the Old Viacom Excess 401(k) Plan for Designated Senior Executives as in effect on December 31, 2005.

(c) This amendment and restatement of the Plan is effective January 1, 2009.

1.2 Purpose. The purpose of this Plan is to provide benefits to Reporting Employees who are participants in the Viacom 401(k) Plan and whose annual base salary and commissions exceed annual Internal Revenue Code compensation limits. Under the Plan, an Eligible Employee may, in certain circumstances, elect to defer receipt of a portion of his Compensation. The Plan also provides that the Company will, in certain instances, credit the Ongoing Account of a Participant with an Employer Match. This Plan is intended to comply with Section 409A of the Internal Revenue Code as amended (the "Code") and the rules, regulations and guidance thereunder ("Section 409A"), other than with respect to amounts in the Grandfathered Accounts. Notwithstanding any provision to the contrary, the Plan shall be interpreted, operated and administered in a manner consistent with these intentions. The Plan has been administered in good faith compliance with Section 409A through December 31, 2008.

1.3 Reporting Employees. Participation in this Plan is limited to employees of an Employer who are Reporting Employees. Any deferrals made under the Viacom Excess 401(k) Plan by a Reporting Employee prior to the date he becomes a Reporting Employee shall be transferred to the Plan as of the date such employee becomes a Reporting Employee. Except as provided to the contrary herein, any elections made under the Viacom Excess 401(k) Plan by a Reporting Employee prior to the date his account is transferred to the Plan shall remain in full force and effect in this Plan.

## Section 2. Definitions.

The following words and phrases as used in this Plan have the following meanings:

2.1 Account. The term "Account" shall mean a Participant's individual account, as described in Section 4 of the Plan. For Participants who have a positive Account as of December 31, 2005, their Account shall equal the sum of their Grandfathered Account and their Ongoing Account.

2.2 Board of Directors. The term "Board of Directors" means the Board of Directors of the Company.

2.3 Bonus. The term "Bonus" (i) means any cash bonus paid under the Viacom Inc. Short-Term Incentive Plan and any other comparable annual cash bonus plan sponsored by any Employer and (ii) for MTV Networks employees, any Commission Overage paid on and after January 1, 2009.

2.4 Committee. The term "Committee" means the Retirement Committee appointed by the Board of Directors. The Committee may act on its own behalf or through the actions of its duly authorized delegate.

2.5 Company. The term “Company” means Viacom Inc. (EIN No. 20-3515052).

2.6 Compensation. The term “Compensation” means an Eligible Employee’s annual compensation as defined in the Viacom 401(k) Plan, except that the limitations imposed by Section 401(a)(17) of the Code and Bonuses shall not be taken into account.

2.7 Disability. For purposes of a Grandfathered Account, for disabilities that occur before January 1, 2005, a Participant shall be deemed to have incurred a “Disability” or to be “Disabled” if the Participant was Disabled under the terms of the Old Viacom Excess 401(k) Plan for Designated Senior Executives as of December 31, 2004. For purposes of an Ongoing Account and for a Grandfathered Account for Disabilities occurring after December 31, 2004, a Participant shall be deemed to have incurred a “Disability” or to be “Disabled” if the Participant:

(a) is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months; or

(b) is, by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than 3 months under an accident and health plan covering employees of the participant’s employer.

(c) Relationship to Termination. The date a Participant meets the definition of Disability shall be treated as the date he Separates from Service for purposes of Section 6 of the Plan.

2.8 Eligible Employee. The term “Eligible Employee” means an Employee of an Employer

(a) for whom the sum of:

(1) the rate of annual base salary for a particular year; plus

(2) actual commissions received for the prior year (not including any commissions and Commission Overages paid on and after January 1, 2008 to MTV Networks employee);

equals or is greater than the annual compensation limit in effect under Code Section 401(a)(17) (as adjusted from time to time by the Committee); and

(b) who is designated by the Committee as an employee who is eligible to participate in the Plan; and

(c) who is a Reporting Employee.

If an employee becomes an Eligible Employee in any Plan Year, such employee shall remain an Eligible Employee for all future Plan Years; provided, however, that the Committee may terminate such employee's eligibility for the Plan if his annual base salary as of January 1 of any Plan Year is less than the amount in clause (a) above in effect for the Plan Year in which such employee initially became an Eligible Employee. All Employees who were Eligible Employees under the old Viacom Excess 401(k) Plan for Designated Senior Executives immediately prior to January 1, 2006 will remain Eligible Employees of this Plan, subject to this Section 2.8.

2.9 Employer. The term "Employer" means the Company and any affiliate or subsidiary that adopts the Plan on behalf of its Eligible Employees.

2.10 Employer Match. The term "Employer Match" means the amounts credited to a Participant's Account with respect to a Participant's Excess Salary Reduction Contributions, calculated using the rate of matching contributions under the Viacom 401(k) Plan in effect at the time such Plan contributions are made.

2.11 Excess Salary Reduction Contributions. The term "Excess Salary Reduction Contributions" means the portion of a Participant's Compensation, excluding any Bonus earned during a Plan Year (after such Participant has reached any Limitation) that he elects to defer under the terms of this Plan.

2.12 Grandfathered Account. "Grandfathered Account" means the portion of a Participant's vested Account balance as of December 31, 2004 under the Old Viacom Excess 401(k) Plan for Designated Senior Executives, adjusted for earnings (or losses) thereon. The Company will keep appropriate records of the Grandfathered Account.

2.13 Grandfathered Account Payment Option. "Grandfathered Account Payment Option" means the payment option that applies to a Participant's Grandfathered Account in this Plan (see Section 5.2) and to his Grandfathered Account in the Viacom Bonus Deferral Plan for Designated Senior Executives. A Participant's Grandfathered Account Payment Option will be his "Joint Payment Option" in effect for the Old Viacom Excess 401(k) Plan for Designated Senior Executives unless and until he changes his Grandfathered Account Payment Option pursuant to Section 5.2(d)(1).

2.14 Investment Options. The term "Investment Options" means the investment funds available to participants in the Viacom 401(k) Plan, excluding the Self-Directed Brokerage Account.

2.15 Limitation. The term "Limitation" means the limitation on contributions to defined contribution plans under Code Section 415(c), on compensation taken into account under Code Section 401(a)(17), or on elective deferrals under Code Section 401(k)(3) and Code Section 402(g).

2.16 Old Viacom. “Old Viacom” shall mean Viacom Inc., EIN 04-2949533, and its successors. Effective January 1, 2006, this entity was renamed CBS Corporation.

2.17 Old Viacom Excess 401(k). “Old Viacom Excess 401(k) Plan” shall mean the Viacom Excess 401(k) Plan, as sponsored by Old Viacom. Effective January 1, 2006, this plan was renamed the CBS Excess 401(k) Plan.

2.18 Old Viacom Excess 401(k) Plan for Designated Senior Executives. “Old Viacom Excess 401(k) Plan for Designated Senior Executives” shall mean the Viacom Excess 401(k) Plan for Designated Senior Executives, as sponsored by Old Viacom. Effective January 1, 2006, this plan was renamed the CBS Excess 401(k) Plan for Designated Senior Executives.

2.19 Ongoing Account. “Ongoing Account” means the portion of a Participant’s Account other than his Grandfathered Account.

2.20 Ongoing Account Payment Option. “Ongoing Account Payment Option” means the payment option that applies to a Participant’s Ongoing Account in this Plan (see Section 5.2) and to his Ongoing Account in the Viacom Bonus Deferral Plan for Designated Senior Executives. A Participant’s Ongoing Account Payment Option in effect for the Old Viacom Excess 401(k) Plan or the Old Viacom Excess 401(k) Plan for Designated Senior Executives, if any, shall continue in effect under this Plan and shall be irrevocable.

2.21 Participant. The term “Participant” means Eligible Employee who has an Account in the Plan.

2.22 Plan and Plan Year. The term “Plan” means the Viacom Excess 401(k) Plan for Designated Senior Executives as set forth herein, as amended from time to time. The term “Plan Year” means the twelve-month period that begins on each January 1.

2.23 Reporting Employee. “Reporting Employee” means an Eligible Employee who is identified by the Company as a reporting person for purposes of Section 16 of the Securities Exchange Act of 1934 or any employee of an Employer who is eligible to participate in the Plan and whose securities may be attributable to a Reporting Employee for purposes of Section 16 of the Securities Exchange Act of 1934.

2.24 Separation from Service. “Separation from Service” and “Separates from Service” means an Eligible Employee’s termination of employment due to death, retirement or other termination of employment as provided for under Section 409A.

2.25 Viacom 401(k) Plan. “Viacom 401(k) Plan” means, effective January 1, 2006, the Viacom 401(k) Plan sponsored by the Company.

Section 3. Participation.

3.1 Designation of Eligible Employees. All employees who were Eligible Employees under the Old Viacom Excess 401(k) Plan for Designated Senior Executives immediately prior to January 1, 2006 will remain Eligible Employees, subject to Section 2.8. Beginning January 1, 2006, each month the Committee will designate in its sole discretion those employees who satisfy the terms of Section 2.8 as eligible to participate in the Plan.

3.2 Election to Participate. An Eligible Employee must elect to participate in the Plan. The Committee shall establish rules and procedures, in compliance with Section 409A, pursuant to which an election to make Excess Salary Reduction Contributions will be effective. For the election to be effective during the Plan Year in which an individual first becomes an Eligible Employee, the election must be made not later than 30 days after the date he first becomes an Eligible Employee, provided the election is permissible under Section 409A. For the election to be effective during any subsequent Plan Year, the election must be made not later than December 31 of the immediately preceding Plan Year. The election will be effective on a prospective basis beginning with the first eligible payroll period, or as soon as administratively practicable thereafter following receipt of the election by the Committee, and will remain in effect unless it is amended in accordance with Section 3.3.

3.3 Amendment of Election. Participants may amend their existing Excess Salary Reduction Contribution election under this Plan by filing a new election in accordance with the prescribed administrative guidelines, not later than December 31 of the preceding Plan Year. Such change will be effective on a prospective basis beginning with the first payroll period of the Plan Year following receipt of the new election by the Committee, or as soon as administratively practicable thereafter following receipt of the new election by the Committee.

3.4 Amount of Elections. Each election filed by an Eligible Employee must specify the amount of Excess Salary Reduction Contributions in a whole percentage between 1% and 15% of the Participant's Compensation, excluding any Bonus. Except as described otherwise in this Section 3.4, no Eligible Employee shall be permitted during any Plan Year to make Excess Salary Reduction Contributions at a rate that exceeds the rate of his Before-Tax Contributions to the Viacom 401(k) Plan as in effect immediately preceding the time that the Eligible Employee actually commences Excess Salary Reduction Contributions to this Plan for that particular Plan Year.

Section 4. Employer Match.

An Employer Match will be credited approximately every two weeks to a Participant's Ongoing Account with respect to the eligible portion of Excess Salary Reduction Contributions of such Participant. The eligible portion of a Participant's Excess Salary Reduction Contributions shall be limited 5% of Compensation contributed

each pay period. In general, the portion of a Participant's Excess Salary Reduction Contributions eligible for a match shall be based on Compensation up to an annual maximum amount of \$750,000. However, special limits on annual Compensation are set out in Appendix A.

Section 5. Individual Account.

5.1 Creation of Accounts. The Company will maintain an Ongoing Account in the name of each Participant. Each Participant's Ongoing Account will be credited with the amount of the Participant's (a) Excess Salary Reduction Contributions, and (b) Employer Match, if any, made in all Plan Years. The Company will also maintain a Grandfathered Account for Participants who had a vested Account Balance as of December 31, 2004 under the Old Viacom Excess 401(k) Plan for Designated Senior Executives.

5.2 Election of Payment Option.

(a) Any Grandfathered Account Payment Option shall continue to apply to a Participant's Grandfathered Account until changed by the Participant in accordance with this Section 5.

(b) Any Eligible Employee who does not have an Ongoing Account Payment Option in effect under this Plan or under the Viacom Bonus Deferral Plan for Designated Senior Executives shall elect an Ongoing Account Payment Option no later than 30 days after the date he first becomes an Eligible Employee and by the deadline in Section 3.2.

(c) (1) A Participant may elect to receive his Ongoing Account under either of the following Payment Options: (i) a single lump sum; or (ii) annual payments over a period of two, three, four or five years beginning, in either case, the later of (I) January 31 of the calendar year immediately following the end of the Plan Year in which the Participant Separates from Service, or (II) during the month following the month that contains the six-month anniversary of the Employee's Separation from Service. A Participant may also elect to receive his Ongoing Account in a single lump sum on January 31 of the 2nd, 3rd, 4th or 5th calendar year following the year in which the Participant Separates from Service. If a Participant elects to receive annual payments over a period of two or more years, such annual payments shall be made in substantially equal annual payments, unless the Participant designates, at the time of making his Ongoing Account Payment Option election, a specific percentage of his Ongoing Account to be distributed in each year. All specified percentages must be a whole multiple of 10% and the total of all designated percentages must be equal to 100%. If no Ongoing Account Payment Option election is made in accordance with the terms of the Plan or under the Viacom Bonus Deferral Plan for Designated Senior Executives, a Participant shall be deemed to have elected to receive his Ongoing Account in a single lump sum to be paid the later of (i) January 31 of the calendar year immediately following the end of the Plan Year in which the Participant Separates from Service or (ii)

during the month following the month that contains the six-month anniversary of the Employee's Separation from Service.

(2) A Participant may elect to receive his Grandfathered Account under either of the following Payment Options: (i) a single lump sum; or (ii) annual payments over a period of two, three, four or five years beginning, in either case, on or about January 31 of the calendar year immediately following the end of the Plan Year in which the Participant terminates employment. A Participant may also elect to receive his Grandfathered Account in a single lump sum on or about January 31 of the 2nd, 3rd, 4th or 5th calendar year following the year in which the Participant terminates employment. If a Participant elects to receive annual payments over a period of two or more years, such annual payments shall be made in substantially equal annual payments, unless the Participant designates, at the time of making his Grandfathered Account Payment Option election, a specific percentage of his Grandfathered Account to be distributed in each year. All specified percentages must be a whole multiple of 10% and the total of all designated percentages must be equal to 100%. If no Grandfathered Account Payment Option election is made in accordance with the terms of the Plan or under the Viacom Bonus Deferral Plan for Designated Senior Executives, a Participant shall be deemed to have elected to receive his Grandfathered Account in a single lump sum on or about January 31 of the calendar year immediately following the end of the Plan Year in which the Participant terminates employment.

Example 1: If a Participant (i) elects (or is deemed to elect) a Grandfathered Account or Ongoing Account Payment Option that provides for a lump sum payment in the year following the Plan Year in which he Separates from Service and (ii) Separates from Service in February 2009, such lump sum shall be paid on January 31, 2010. A Participant alternatively could designate January 31 of 2011, 2012, 2013 or 2014 in which to receive his lump sum.

Example 2: If a Participant (i) elects a Grandfathered Account or Ongoing Account Payment Option that provides for annual payments over a period of four years and (ii) Separates from Service in February 2009, the first installment from his Grandfathered Account and his Ongoing Account will be paid on or about January 31, 2010 and the subsequent payments will be made on January 31 of 2011 through 2013. Each payment on January 31 of 2010 through 2013 will be comprised of approximately 25% of the Participant's Grandfathered or Ongoing Account as of December 31 of the calendar year in which the Participant Separates from Service. A Participant alternatively could designate 10% of his Grandfathered or Ongoing Account to be distributed in January 2010, 20% in January 2011, 30% in January 2012 and 40% in January 2013; or, any other combination of percentages that totals 100%.

Example 3: If a Participant (i) elects (or is deemed to elect) a Grandfathered Account or Ongoing Account Payment Option that provides for a lump sum payment in the year following the Plan Year in which the Participant Separates from Service and (ii) Separates from Service in October 2009, his Grandfathered Account lump sum shall be paid on or about January 31, 2010 and his Ongoing Account lump sum shall be paid in May 2010 (during the month following the month that contains the six-month anniversary of the Participant's Separation from Service).

Example 4: If a Participant (i) elects a Grandfathered Account or Ongoing Account Payment Option that provides for annual payments over a period of four years and (ii) Separates from Service in August 2009, the first installment from his Grandfathered Account will be paid on or about January 31, 2010 and the subsequent payments will be made on or about January 31 of 2011 through 2013. Each payment on or about January 31 of 2009 through 2013 will be comprised of approximately 25% of the Participant's Grandfathered Account as of December 31 of the calendar year in which the Participant terminates employment. The first installment from his Ongoing Account will be paid in March 2010 (during the month following the month that contains the six-month anniversary of the Participant's Separation from Service) and each subsequent payment made in January of 2011 through 2013 will be comprised of approximately 25% of the Participant's Ongoing Account as of the Participant's Separation from Service date.

(d) Changes.

(1) Grandfathered Account. With respect to a Grandfathered Account, a Participant may change his Grandfathered Account Payment Option no more than three times over the course of his employment with the Company or any affiliate. A Participant may change an existing Grandfathered Account Payment Option only one time in any calendar year. Any change of a Participant's existing Grandfathered Account Payment Option election made less than six months prior to the Participant's termination of employment for any reason shall be null and void and the Participant's last valid Grandfathered Account Payment Option shall remain in effect.

5.3 Investments.

(a) All Excess Salary Reduction Contributions will be credited through December 31 of the calendar year in which the Participant Separates from Service with an amount equal to such amount which would have been earned had such contributions been invested in the same Investment Options and in the same proportion as the Participant may elect, from time to time, to have his Salary Reduction Contributions invested under the Viacom 401(k) Plan; or if no such election has been made, in the Plan fund designated by the Committee. All Matching Employer Contributions will be credited through December 31 of the calendar year in which the Participant Separates from Service with an amount equal to such amount which would have been earned had such contributions been invested in the Viacom Company Stock Fund in the Viacom 401(k) Plan unless the Participant has transferred any portion of that account to another Investment Option.

(b) If a Participant elects (or is deemed to elect) a single lump sum Grandfathered Account or Ongoing Account Payment Option payable in the first calendar year following the calendar year in which the Participant Separates from Service and such payment is made on January 31 of the calendar year immediately following the end of the Plan Year in which the Participant Separates from Service, no additional adjustments will be made to the Participant's Grandfathered Account or Ongoing Account

after December 31 of the calendar year in which the Participant Separates from Service. If however, payment of the Participant's Ongoing Account cannot be made until at least the six-month anniversary of the Employee's Separation from Service, the Participant's Ongoing Account shall be credited with earnings based on the rate of return in the Plan's stable value fund as designated by the Committee beginning January 1 of the calendar year following the year in which the Participant Separates from Service and continuing through the end of the month of such six-month anniversary. If a Participant elects a single lump sum Grandfathered Account or Ongoing Account Payment Option payable in the second, third, fourth or fifth calendar year following the calendar year in which the Participant Separates from Service, the Participant's Grandfathered Account or Ongoing Account shall be credited with earnings based on the rate of return in the Plan's stable value fund as designated by the Committee beginning January 1 of the calendar year following the year in which the Participant Separates from Service and continuing through December 31 of the calendar year immediately preceding the calendar year in which the single lump sum is paid.

(c) If a Participant elects annual payments, no additional adjustments will be made to any amount payable in the first calendar year following the year in which the Participant Separates from Service. If, however, payment of the first installment of a Participant's Ongoing Account cannot be made until at least the six-month anniversary of the Employee's Separation from Service, the Participant's Ongoing Account shall be credited with earnings based on the rate of return in the Plan's stable value fund as designated by the Committee beginning January 1 of the calendar year following the year in which the Participant Separates from Service and continuing through the end of the month of such six-month anniversary. For any annual payments made in the second, third, fourth or fifth year following the calendar year in which the Participant Separates from Service, the Participant's Grandfathered or Ongoing Account shall be credited with earnings based on the rate of return in the Plan's stable value fund as designated by the Committee beginning January 1 of the calendar year following the year in which the Participant Separates from Service and continuing through December 31 of the calendar year immediately preceding the calendar year in which each payment is made.

(d) No provision of this Plan shall require the Company or the Employer to actually invest any amounts in any fund or in any other investment vehicle.

5.4 Account Statements. Each Participant will be given, at least annually, a statement showing (a) the amount of all Contributions, (b) the amount of Employer Match, if any, made with respect to his Account for such Plan Year, and (c) the balance of the Participant's Account after crediting Investments.

Section 6.    Payment.

6.1    Payment on Account of Separation from Service For Reasons Other Than Disability.

(a) Grandfathered Account.    A Participant (or a Participant's beneficiary) shall be paid the balance in his Grandfathered Account following termination of employment in accordance with the Grandfathered Account Payment Option in effect with respect to the Participant.

(b) Ongoing Account.    A Participant (or a Participant's beneficiary) shall be paid the balance in his Ongoing Account following Separation from Service in accordance with the Ongoing Account Payment Option in effect with respect to the Participant.

6.2    Payment on Account of Disability.

(a) Grandfathered Account.    A Participant (or a Participant's beneficiary) shall be paid the balance in his Grandfathered Account following the date he meets the definition of Disability in accordance with the Grandfathered Account Payment Option in effect with respect to the Participant. If a Participant no longer meets the definition of Disability and returns to work with an Employer, no further payments shall be made on account of the prior Disability, and distribution of his remaining Grandfathered Account shall be made as otherwise provided in this Section 6 at the time of his subsequent termination of employment.

(b) Ongoing Account.    A Participant (or a Participant's beneficiary) shall be paid the balance in his Ongoing Account following the date he meets the definition of Disability in accordance with the Ongoing Account Payment Option in effect with respect to the Participant. If the Participant no longer meets the definition of Disability while he is still receiving payments from his Ongoing Account Balance, those payments shall continue to be made.

6.3    Reemployment.    Any payments from an Eligible Employee's Ongoing Account that commenced due to the Eligible Employee's Separation from Service will not cease or be suspended if the Eligible Employee subsequently becomes reemployed by the Company or any corporation or other entity that is required to be aggregated with the Company pursuant to Code Sections 414(b), (c), (m) or (o).

- 6.4 Designation of Separate Payments. For purposes of the Plan, the entitlement to a series of benefit payments under the Plan payable in periodic installments shall be treated as an entitlement to a series of separate payments, with each benefit payment being considered, and hereby designated as, a separate payment for purposes of Section 409A.

Section 7. Nature of Interest of Participant.

Participation in this Plan will not create, in favor of any Participant, any right or lien in or against any of the assets of the Company or any Employer, and all amounts of Compensation deferred here under shall at all times remain an unrestricted asset of the Company or the Employer. A Participant's rights to benefits payable under the Plan are not subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, or encumbrance. All payments hereunder shall be paid in cash from the general funds of the Company or applicable Employer and no special or separate fund shall be established and no other segregation of assets shall be made to assure the payment of benefits hereunder. Nothing contained in this Plan, and no action taken pursuant to its provisions, shall create or be construed to create a trust of any kind, or a fiduciary relationship, between any Employer and a Participant or any other person, and the Company's and each Employer's promise to pay benefits hereunder shall at all times remain unfunded as to the Participant.

Section 8. Hardship Distributions.

8.1 Hardship Definition. A Participant may request the Committee to accelerate distribution of all or any part of the value of his Account solely for the purpose of alleviating an immediate financial emergency. For purposes of this Section 8.1, such an immediate financial emergency shall mean a severe financial hardship to the Participant resulting from an illness or accident of the Participant, the Participant's spouse, or a dependent (as defined in Section 152(a) of the Code) of the Participant, loss of the Participant's property due to casualty, or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant. This requirement is met only if the amounts distributed with respect to an emergency do not exceed the amounts necessary to satisfy such emergency plus amounts necessary to pay taxes reasonably anticipated as a result of the distribution, after taking into account the extent to which such hardship is or may be relieved through reimbursement or compensation by insurance or otherwise or by liquidation of the Participant's assets (to the extent the liquidation of such assets would not itself cause severe financial hardship), including loans and withdrawals from the Viacom 401(k) Plan.

8.2 Committee Discretion. The Committee may request that the Participant provide certifications and other evidence of qualification for such emergency hardship distribution as it determines appropriate. The decision of the Committee with respect to the grant or denial of all or any part of such request shall be in the sole discretion of the

Committee, whether or not the Participant demonstrates that an immediate financial emergency exists, and shall be final and binding and not subject to review.

8.3 Excess Salary Reduction Contributions Cease. In the event that a Participant receives a distribution to alleviate an immediate financial emergency pursuant to Section 8.2 or receives a hardship distribution from the Viacom 401(k) Plan, his Excess Salary Reduction Contributions shall cease for the remainder of the calendar year in which he receives such distribution.

Section 9. Beneficiary Designation.

A Participant's beneficiary designation for this Plan will automatically be the same as the Participant's beneficiary designation recognized under the Viacom 401(k) Plan, unless a separate designation of beneficiary for this Plan has been properly filed.

Section 10. Administration.

10.1 Committee. This Plan will be administered by the Committee, the members of which were initially appointed by the Board of Directors and can be subsequently removed or replaced by the President and Chief Executive Office of the Company.

10.2 Powers of the Committee. The Committee's powers will include, but will not be limited to, the power:

- (a) to determine who are Eligible Employees for purposes of participation in the Plan;
- (b) to interpret the terms and provisions of the Plan and to determine any and all questions arising under the Plan, including without limitation, the right to remedy possible ambiguities, inconsistencies, or omissions by a general rule or particular decision;
- (c) to adopt rules consistent with the Plan; and
- (d) to approve certain amendments to the Plan.

10.3 Claims Procedure. The Committee shall have the exclusive right to interpret the Plan and to decide any and all matters arising thereunder.

(a) Claim for Benefit. Claims as to the amount of any distribution or method of payment under the Plan must be submitted in writing to the Committee. The Committee shall notify the Participant of its decision by written or electronic notice, in a manner calculated to be understood by the Participant. The notice shall set forth:

- (1) the specific reasons for the denial of the claim;

(2) a reference to specific provisions of the Plan on which the denial is based;

(3) a description of any additional material or information necessary to perfect the claim and an explanation of why such material or information is necessary; and

(4) an explanation of the Plan's claims review procedure for the denied or partially denied claim and any applicable time limits, and a statement that the Participant has a right to bring a civil action under Section 502(a) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA") following an adverse benefit determination on review.

Such notification shall be given within 90 days after the claim is received by the Committee (or within 180 days, if special circumstances require an extension of time for processing the claim, and provided written notice of such extension and circumstances and the date a decision is expected is given the Participant within the initial 90-day period). The time period begins when the claim is filed, regardless of whether the Plan has all of the information necessary to decide the claim at the time of filing. A claim is considered approved only if its approval is communicated in writing to the Participant.

(b) Review or Denial of Claim. Upon denial of a claim in whole or in part, a Participant shall have the right to submit a written request to the Committee for a full and fair review of the denied claim. A request for review of a claim must be submitted within 60 days of receipt by the Participant of written notice of the denial of the claim. If the Participant fails to file a request for review within 60 days of the denial notification, the claim will be deemed abandoned and the Participant precluded from reasserting it. Also, if the Participant is not provided a notice of denial, the Participant may submit a written request for review to the Committee.

The Participant shall have, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to the Participant's claim for benefits. The Participant may submit written comments, documents, records, and other information relating to the claim for benefits. The review shall take into account all comments, documents, records, and other information submitted by the Participant relating to the claim, without regard to whether such information was submitted or considered in the initial benefit determination. Failure to raise issues or present evidence on review will preclude those issues or evidence from being presented in any subsequent proceeding or judicial review of the claim.

(c) Decision by the Committee. The Committee will advise the Participant of the results of the review within 60 days after receipt of the written request for review (or within 120 days if special circumstances require an extension of time for processing the request, and if notice of such extension and circumstances is given to such Participant within the initial 60 day period).

The decision on review shall be in written or electronic form, in a manner calculated to be understood by the Participant. The notice shall set forth:

- (1) the specific reasons for the denial of the appeal of the claim;
- (2) the specific reference to pertinent provisions of the Plan on which the denial is based;
- (3) a statement that the Participant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to the Participant's claim for benefits;
- (4) a statement describing any voluntary appeal procedures offered by the Plan (if any) and the Participant's right to obtain the information about such procedures and a statement of the Participant's right to bring an action under Section 502(a) of ERISA.

To the extent of its responsibility to review the denial of benefit claims, the Committee shall have full authority to interpret and apply in its discretion the provisions of the Plan. The Committee may request a meeting to clarify any matters deemed appropriate.

A Participant, beneficiary, or other individual alleging a violation of or seeking any remedy under any provision of ERISA shall also be subject to the claims procedure described in this Section 10.3. Any such claim shall be filed within one year of the time the claim arises or it shall be deemed waived and abandoned. Also, any suit or legal action will be subject to a one-year limitation period, measured from the date a claim arises and tolled during the period that any claim is pending under the claims procedures of this Section 10.3.

10.4 Finality of Committee Determinations. Determinations by the Committee and any interpretation, rule, or decision adopted by the Committee under the Plan or in carrying out or administering the Plan shall be final and binding for all purposes and upon all interested persons, their heirs, and personal representatives.

10.5 Severability. If a provision of the Plan shall be held illegal or invalid, the illegality or invalidity shall not affect the remaining parts of the Plan, and the Plan shall be construed and enforced as if the illegal or invalid provision had not been included in the Plan.

10.6 Governing Law. The provisions of the Plan shall be governed by and construed in accordance with the laws of the State of New York, to the extent not preempted by the laws of the United States.

10.7 Gender. Wherein used herein, words in the masculine form shall be deemed to refer to females as well as males.

Section 11. No Employment Rights.

No provisions of the Plan or any action taken by the Company, the Board of Directors, or the Committee shall give any person any right to be retained in the employ of any Employer, and the right and power of the Company to dismiss or discharge any Participant is specifically reserved.

Section 12. Amendment, Suspension, and Termination.

The Committee shall have the right to amend the Plan at any time, unless provided otherwise in the Company's governing documents. The Board of Directors shall have the right to suspend or terminate the Plan at any time. No amendment, suspension or termination shall, without the consent of a Participant, adversely affect the value of such Participant's Account. In the event the Plan is terminated, the Committee shall continue to administer the Plan in accordance with the relevant provisions thereof.

**Appendix A – Special Limits on Annual Compensation**

Notwithstanding the provisions of Section 4 of the Plan, the following special limits on annual Compensation shall apply to Employees who became Participants in the Plan on January 1, 2006:

- For Employees eligible as of December 31, 1995 under the Old Viacom Excess 401(k) Plan and whose base salary plus bonus as of December 31, 1995 exceeded \$750,000, the maximum annual Compensation for the 1996 Plan Year and each subsequent Plan Year on which the Employer Match will be based shall be the Employee’s base salary plus bonus as of December 31, 1995.
  
- For an active full-time Employee who is a Participant and who is also a full-time employee of CBS Corporation or a member of its controlled group and a participant in the Old Viacom 401(k) Plan and the Old Viacom Excess 401(k) Plan or the Old Viacom Excess 401(k) Plan for Designated Senior Executives on and after January 1, 2006, the maximum annual Compensation for the 2006 Plan Year and each subsequent Plan Year on which the Employer Match will be based shall be \$375,000.

**VIACOM BONUS DEFERRAL PLAN  
FOR DESIGNATED SENIOR EXECUTIVES**

**EFFECTIVE JANUARY 1, 2006  
As Amended and Restated January 1, 2009**

Section 1. Establishment and Purpose of the Plan.

1.1 Establishment.

(a) Effective August 28, 2002 Viacom Inc. established and maintained an unfunded plan of voluntarily deferred compensation. This plan was known as the Viacom Bonus Deferral Plan for Designated Senior Executives. The discussion below refers to Viacom Inc. prior to 2006 as “Old Viacom” and to the Viacom Bonus Deferral Plan for Designated Senior Executives prior to 2006 as the “Old Viacom Bonus Deferral Plan for Designated Senior Executives.”

(b) On December 31, 2005, Old Viacom was restructured and separated into two publicly traded companies – Old Viacom, which was renamed CBS Corporation, and a new company outside the controlled group of Old Viacom, which was named Viacom Inc. (EIN 20-3515052). New Viacom Inc. consists principally of the following businesses: MTV Networks, BET, Paramount Pictures, Paramount Home Entertainment, and Famous Music. This new plan – the new Viacom Bonus Deferral Plan for Designated Senior Executives – was created, effective January 1, 2006, to benefit the employees of the new Viacom Inc. (the “Company” or “Viacom Inc.”) and its participating subsidiaries. Old Viacom approved the spinoff of benefit liabilities associated with (1) participants in the Old Viacom Bonus Deferral Plan for Designated Senior Executives who were employees of Old Viacom and its subsidiaries on December 31, 2005 and became employees of a business which is part of the new Viacom Inc. controlled group on January 1, 2006 and (2) participants in the Old Viacom Bonus Deferral Plan for Designated Senior Executives who terminated employment with Old Viacom and its subsidiaries prior to December 31, 2005 and whose last employment with Old Viacom and its subsidiaries prior to January 1, 2006 was with a business which is part of the new Viacom Inc. controlled group on January 1, 2006 (including last employment with the Paramount Pictures corporate office, but not with the Old Viacom corporate office). The new Viacom Inc. adopted this new Plan, which was first effective on January 1, 2006. The amount of any spun-off liabilities was determined under the terms of the Old Viacom Bonus Deferral Plan for Designated Senior Executives as in effect on December 31, 2005.

(c) This amendment and restatement of the Plan is effective January 1, 2009.

1.2 Purpose. The purpose of this Plan is to provide a means by which a Reporting Employee may, in certain circumstances, elect to defer receipt of a portion of his cash bonus paid under the Viacom Inc. Short-Term Incentive Plan and any other comparable annual cash bonus plan sponsored by any Employer. This Plan is intended to comply with Section 409A of the Internal Revenue Code, as amended (the "Code") and the rules, regulations and guidance thereunder ("Section 409A"), other than with respect to amounts in the Grandfathered Accounts. Notwithstanding any provision to the contrary, the Plan shall be interpreted, operated and administered in a manner consistent with these intentions. The Plan has been administered in good faith compliance with Section 409A through December 31, 2008.

1.3 Reporting Employees. Participation in this Plan is limited to employees of an Employer who are Reporting Employees. Any Bonus deferrals made under the Viacom Bonus Deferral Plan by a Reporting Employee prior to the date he becomes a Reporting Employee shall be transferred to the Plan as of the date such employee becomes a Reporting Employee. Except as provided to the contrary herein, any elections made under the Viacom Bonus Deferral Plan by a Reporting Employee prior to the date his account is transferred to the Plan shall remain in full force and effect in this Plan.

## Section 2. Definitions.

The following words and phrases as used in this Plan have the following meanings:

2.1 Account. The term "Account" shall mean a Participant's individual account, as described in Section 4 of the Plan. For Participants who have a positive Account as of December 31, 2005, their Account shall equal the sum of their Grandfathered Account and their Ongoing Account.

2.2 Board of Directors. The term "Board of Directors" means the Board of Directors of the Company.

2.3 Bonus. The term "Bonus" (i) means any cash bonus paid under the Viacom Inc. Short-Term Incentive Plan and any other comparable annual cash bonus plan sponsored by any Employer and (ii) for MTV Networks employees, any Commission Overage paid on and after January 1, 2009.

2.4 Bonus Deferral Contributions. The term "Bonus Deferral Contributions" means the portion of the Participant's Bonus that he elects to defer under the terms of this Plan.

2.5 Committee. The term "Committee" means the Retirement Committee appointed by the Board of Directors. The Committee may act on its own behalf or through the actions of its duly authorized delegate.

2.6 Company. The term “Company” means Viacom Inc. (EIN 20-3515052).

2.7 Disability. For purposes of a Grandfathered Account, for disabilities that occur before January 1, 2005, a Participant shall be deemed to have incurred a “Disability” or to be “Disabled” if the Participant was Disabled under the terms of the Old Viacom Bonus Deferral Plan for Designated Senior Executives as of December 31, 2004. For purposes of an Ongoing Account and for a Grandfathered Account for Disabilities occurring after December 31, 2004, a Participant shall be deemed to have incurred a “Disability” or to be “Disabled” if the Participant:

(a) is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months; or

(b) is, by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than 3 months under an accident and health plan covering employees of the participant’s employer.

(c) Relationship to Termination. The date a Participant meets the definition of Disability shall be treated as the date he Separates from Service for purposes of Section 5 of the Plan.

2.8 Eligible Employee. The term “Eligible Employee” means an employee of an Employer who is an eligible employee under the Viacom Excess 401(k) Plan for Designated Senior Executives. If an employee becomes an Eligible Employee in any Plan Year, such employee shall remain an Eligible Employee for all future Plan Years during which the Eligible Employee remains an eligible employee under the Viacom 401(k) Excess Plan for Designated Senior Executives. All Employees who were Eligible Employees under the Old Viacom Bonus Deferral Plan for Designated Senior Executives immediately prior to January 1, 2006 will remain Eligible Employees of this Plan, subject to this Section 2.8.

2.9 Employer. The term “Employer” means the Company and any affiliate or subsidiary that adopts the Plan on behalf of its Eligible Employees.

2.10 Grandfathered Account. “Grandfathered Account” means the portion of a Participant’s vested Account balance as of December 31, 2004 under the Old Viacom Bonus Deferral Plan for Designated Senior Executives, adjusted for earnings (or losses) thereon. The Company will keep appropriate records of the Grandfathered Account.

2.11 Grandfathered Account Payment Option. “Grandfathered Account Payment Option” means the payment option that applies to a Participant’s Grandfathered Account in this Plan (see Section 4.2) and to his Grandfathered Account in the Viacom Excess 401(k) Plan for Designated Senior Executives. A Participant’s Grandfathered

Account Payment Option will be his “Joint Payment Option” in effect for the Old Viacom Bonus Deferral Plan for Designated Senior Executives unless and until he changes his Grandfathered Account Payment Option pursuant to Section 4.2(d)(1).

2.12 Investment Options. The term “Investment Options” means the investment funds available to participants in the Viacom 401(k) Plan, excluding the Self-Directed Brokerage Account.

2.13 Old Viacom. “Old Viacom” shall mean Viacom Inc., EIN 04-2949533, and its successors. Effective January 1, 2006, this entity was renamed CBS Corporation.

2.14 Old Viacom Bonus Deferral Plan for Designated Senior Executives. “Old Viacom Bonus Deferral Plan for Designated Senior Executives” shall mean the Viacom Bonus Deferral Plan for Designated Senior Executives, as sponsored by Old Viacom. Effective January 1, 2006, this plan was renamed the CBS Bonus Deferral Plan for Designated Senior Executives.

2.15 Ongoing Account. “Ongoing Account” means the portion of a Participant’s Account other than his Grandfathered Account.

2.16 Ongoing Account Payment Option. “Ongoing Account Payment Option” means the payment option that applies to a Participant’s Ongoing Account in this Plan (see Section 4.2) and to his Ongoing Account in the Viacom Excess 401(k) Plan for Designated Senior Executives. A Participant’s Ongoing Account Payment Option in effect for the Old Viacom Bonus Deferral Plan for Designated Senior Executives, if any, shall continue in effect under this Plan and shall be irrevocable.

2.17 Participant. The term “Participant” means an Eligible Employee who has an Account in the Plan.

2.18 Plan and Plan Year. The term “Plan” means the Viacom Bonus Deferral Plan for Designated Senior Executives as set forth herein, as amended from time to time. The term “Plan Year” means the twelve-month period that begins on each January 1.

2.19 Reporting Employee. “Reporting Employee” means an Eligible Employee who is identified by the Company as a reporting person for purposes of Section 16 of the Securities and Exchange Act of 1934 or any employee of an Employer who is eligible to participate in the Plan and whose securities may be attributable to a Reporting Employee for purposes of Section 16 of the Securities and Exchange Act of 1934.

2.20 Separation from Service. “Separation from Service” and “Separates from Service” means an Eligible Employee’s termination of employment due to death, retirement or other termination of employment as provided for under Section 409A.

2.21 Viacom 401(k) Plan. “Viacom 401(k) Plan” means, effective January 1, 2006, the Viacom 401(k) Plan sponsored by the Company.

Section 3. Participation.

3.1 Election to Participate.

(a) An Eligible Employee must elect to participate in the Plan.

(b) For a Plan Year beginning prior to January 1, 2008 in which an employee first becomes an Eligible Employee, such Eligible Employee must elect to make a Bonus Deferral Contribution with respect to any Bonus scheduled to be paid in the next succeeding calendar year within 30 days of the date he first becomes an Eligible Employee in order for the election to be valid. For years beginning on and after January 1, 2008, prior to January 1 of each Plan Year, an Eligible Employee may elect to make a Bonus Deferral Contribution with respect to any Bonus scheduled to be paid in the second succeeding calendar year. For example, prior to January 1, 2009, an Eligible Employee may make a Bonus Deferral Contribution election with respect to any cash bonus to be earned in 2009 that is scheduled to be paid in 2010 under the Viacom Inc. Short-Term Incentive Plan. An Eligible Employee may make an Excess Bonus Deferral Contribution election whether or not such employee previously has made, or currently has in effect, any Excess Salary Reduction Contribution election.

3.2 Amount of Elections.

Each election filed by an Eligible Employee must specify the amount of Bonus Deferral Contributions in a whole percentage between 1% and 15% of the Participant's applicable Bonus.

Section 4. Individual Account.

4.1 Creation of Accounts. The Company will maintain an Ongoing Account in the name of each Participant. Each Participant's Ongoing Account will be credited with the amount of the Participant's Bonus Deferral Contributions, made in all Plan Years. The Company will also maintain a Grandfathered Account for Participants who have a vested account balance as of December 31, 2004 under the Old Viacom Bonus Deferral Plan for Designated Senior Executives.

4.2 Election of Payment Option.

(a) Any Grandfathered Account Payment Option shall continue to apply until changed by the Participant in accordance with this Section 4.

(b) Any Eligible Employee who does not have an Ongoing Account Payment Option in effect shall elect an Ongoing Account Payment Option under this Plan or under the Viacom Excess 401(k) Plan for Designated Senior Executives no later than 30 days after the date he first becomes an Eligible Employee and by the deadline in Section 3.1.

(c) (1) A Participant may elect to receive his Ongoing Account under either of the following Payment Options: (i) a single lump sum; or (ii) annual payments over a period of two, three, four or five years beginning, in either case, the later of (I) January 31 of the calendar year immediately following the end of the Plan Year in which the Participant Separates from Service or (II) during the month following the month that contains the six-month anniversary of the Employee's Separation from Service. A Participant may also elect to receive his Ongoing Account in a single lump sum on January 31 of the 2nd, 3rd, 4th or 5th calendar year following the year in which the Participant Separates from Service. If a Participant elects to receive annual payments over a period of two or more years, such annual payments shall be made in substantially equal annual payments, unless the Participant designates, at the time of making his Ongoing Account Payment Option election, a specific percentage of his Ongoing Account to be distributed in each year. All specified percentages must be a whole multiple of 10% and the total of all designated percentages must be equal to 100%. If no Ongoing Account Payment Option election is made in accordance with the terms of the Plan or under the Viacom Excess 401(k) Plan, a Participant shall be deemed to have elected to receive his Ongoing Account in a single lump sum to be paid the later of (i) January 31 of the calendar year immediately following the end of the Plan Year in which the Participant Separates from Service or (ii) during the month following the month that contains the six-month anniversary of the Employee's Separation from Service.

(2) A Participant may elect to receive his Grandfathered Account under either of the following Payment Options: (i) a single lump sum; or (ii) annual payments over a period of two, three, four or five years beginning, in either case, on or about January 31 of the calendar year immediately following the end of the Plan Year in which the Participant terminates employment. A Participant may also elect to receive his Grandfathered Account in a single lump sum on or about January 31 of the 2nd, 3rd, 4th or 5th calendar year following the year in which the Participant terminates employment. If a Participant elects to receive annual payments over a period of two or more years, such annual payments shall be made in substantially equal annual payments, unless the Participant designates, at the time of making his Grandfathered Account Payment Option election, a specific percentage of his Grandfathered Account to be distributed in each year. All specified percentages must be a whole multiple of 10% and the total of all designated percentages must be equal to 100%. If no Grandfathered Account Payment Option election is made in accordance with the terms of the Plan or under the Viacom Excess 401(k) Plan, a Participant shall be deemed to have elected to receive his Grandfathered Account in a single lump sum on or about January 31 of the calendar year immediately following the end of the Plan Year in which the Participant terminates employment.

Example 1: If a Participant (i) elects (or is deemed to elect) a Grandfathered Account or Ongoing Account Payment Option that provides for a lump sum payment in the year following the Plan Year in which he Separates from Service and (ii) Separates from Service in February 2009, such lump sum shall be paid on January 31, 2010. A Participant alternatively could designate January 31 of 2011, 2012, 2013 or 2014 in which to receive his lump sum.

Example 2: If a Participant (i) elects a Grandfathered Account or Ongoing Account Payment Option that provides for annual payments over a period of four years and (ii) Separates from Service in February 2009, the first installment from his Grandfathered Account and his Ongoing Account will be paid on January 31, 2010 and the subsequent payments will be made on January 31 of 2011 through 2013. Each payment on January 31 of 2010 through 2013 will be comprised of approximately 25% of the Participant's Grandfathered or Ongoing Account as of December 31 of the calendar year in which the Participant Separates from Service. A Participant alternatively could designate 10% of his Grandfathered or Ongoing Account to be distributed in January 2010, 20% in January 2011, 30% in January 2012 and 40% in January 2013; or, any other combination of percentages that totals 100%.

Example 3: If a Participant (i) elects (or is deemed to elect) a Grandfathered Account or Ongoing Account Payment Option that provides for a lump sum payment in the year following the Plan Year in which the Participant Separates from Service and (ii) Separates from Service in October 2009, his Grandfathered Account lump sum shall be paid on or about January 31, 2010 and his Ongoing Account lump sum shall be paid in May 2010 (during the month following the month that contains the six-month anniversary of the Participant's Separation from Service).

Example 4: If a Participant (i) elects a Grandfathered Account or Ongoing Account Payment Option that provides for annual payments over a period of four years and (ii) Separates from Service in August 2009, the first installment from his Grandfathered Account will be paid on or about January 31, 2010 and the subsequent payments will be made on or about January 31 of 2011 through 2013. Each payment on or about January 31 of 2009 through 2013 will be comprised of approximately 25% of the Participant's Grandfathered Account as of December 31 of the calendar year in which the Participant terminates employment. The first installment from his Ongoing Account will be paid in March 2010 (during the month following the month that contains the six-month anniversary of the Participant's Separation from Service) and each subsequent payment made in January of 2011 through 2013 will be comprised of approximately 25% of the Participant's Ongoing Account as of the Participant's Separation from Service date.

(d) Changes.

(1) Grandfathered Account. With respect to a Grandfathered Account, a Participant may change his Grandfathered Account Payment Option no more than three times over the course of his employment with the Company or any affiliate. A Participant may change an existing Grandfathered Account Payment Option only one

time in any calendar year. Any change of a Participant's existing Grandfathered Account Payment Option election made less than six months prior to the Participant's termination of employment for any reason shall be null and void and the Participant's last valid Grandfathered Account Payment Option shall remain in effect.

(2) Excess 401(k) Plan for Designated Senior Executives Changes. Any change of Grandfathered Account Payment Option election made by a Participant under the Viacom Excess 401(k) Plan for Designated Senior Executives shall apply to the Participant's Account in this Plan.

#### 4.3 Investments.

(a) All Bonus Deferral Contributions will be credited through December 31 of the calendar year in which the Participant Separates from Service with an amount equal to such amount which would have been earned had such contributions been invested in the same Investment Options and in the same proportion as the Participant may elect, from time to time, to have his Salary Reduction Contributions and Matching Employer Contributions invested under the Viacom 401(k) Plan; or if no such election has been made, in the Plan fund designated by the Committee.

(b) If a Participant elects (or is deemed to elect) a single lump sum Grandfathered Account or Ongoing Account Payment Option payable in the first calendar year following the calendar year in which the Participant Separates from Service and such payment is made on January 31 of the calendar year immediately following the end of the Plan Year in which the Participant Separates from Service, no additional adjustments will be made to the Participant's Grandfathered Account or Ongoing Account after December 31 of the calendar year in which the Participant Separates from Service. If, however, payment of the Participant's Ongoing Account cannot be made until at least the six-month anniversary of the Employee's Separation from Service, the Participant's Ongoing Account shall be credited with earnings based on the rate of return in the Plan's stable value fund as designated by the Committee beginning January 1 of the calendar year following the year in which the Participant Separates from Service and continuing through the end of the month of such six-month anniversary. If a Participant elects a single lump sum Grandfathered Account or Ongoing Account Payment Option payable in the second, third, fourth or fifth calendar year following the calendar year in which the Participant Separates from Service, the Participant's Grandfathered Account or Ongoing Account shall be credited with earnings based on the rate of return in the Plan's stable value fund as designated by the Committee beginning January 1 of the calendar year following the year in which the Participant Separates from Service and continuing through December 31 of the calendar year immediately preceding the calendar year in which the single lump sum is paid.

(c) If a Participant elects annual payments, no additional adjustments will be made to any amount payable in the first calendar year following the year in which the Participant Separates from Service. If, however, payment of the first installment of a Participant's Ongoing Account cannot be made until at least the six-month anniversary of

the Employee's Separation from Service, the Participant's Ongoing Account shall be credited with earnings based on the rate of return in the Plan's stable value fund as designated by the Committee beginning January 1 of the calendar year following the year in which the Participant Separates from Service and continuing through the end of the month of such six-month anniversary. For any annual payments made in the second, third, fourth or fifth year following the calendar year in which the Participant Separates from Service, the Participant's Grandfathered or Ongoing Account shall be credited with earnings based on the rate of return in the Plan's stable value fund as designated by the Committee beginning January 1 of the calendar year following the year in which the Participant Separates from Service and continuing through December 31 of the calendar year immediately preceding the calendar year in which each payment is made.

(d) No provision of this Plan shall require the Company or the Employer to actually invest any amounts in any fund or in any other investment vehicle.

4.4 Account Statements. Each Participant will be given, at least annually, a statement showing (a) Bonus Deferral Contributions, (b) the balance of the Participant's Account after crediting Investments.

Section 5. Payment.

5.1 Payment on Account of Separation from Service for Reasons Other Than Disability.

(a) Grandfathered Account. A Participant (or a Participant's beneficiary) shall be paid the balance in his Grandfathered Account following termination of employment in accordance with the Grandfathered Account Payment Option in effect with respect to the Participant.

(b) Ongoing Account. A Participant (or a Participant's beneficiary) shall be paid the balance in his Ongoing Account following Separation from Service in accordance with the Ongoing Account Payment Option in effect with respect to the Participant.

5.2 Payment on Account of Disability.

(a) Grandfathered Account. A Participant (or a Participant's beneficiary) shall be paid the balance in his Grandfathered Account following the date he meets the definition of Disability in accordance with the Grandfathered Account Payment Option in effect with respect to the Participant. If a Participant no longer meets the definition of Disability and returns to work with an Employer, no further payments shall be made on account of the prior Disability, and distribution of his remaining Grandfathered Account shall be made as otherwise provided in this Section 5 at the time of his subsequent termination of employment.

(b) Ongoing Account. A Participant (or a Participant's beneficiary) shall be paid the balance in his Ongoing Account following the date he meets the definition of Disability in accordance with the Ongoing Account Payment Option in effect with respect to the Participant. If the Participant no longer meets the definition of Disability while he is still receiving payments from his Ongoing Account Balance, those payments shall continue to be made.

5.3 Reemployment. Any payments from an Eligible Employee's Ongoing Account that commenced due to the Eligible Employee's Separation from Service will not cease or be suspended if the Eligible Employee subsequently becomes reemployed by the Company or any corporation or other entity that is required to be aggregated with the Company pursuant to Code Sections 414(b), (c), (m) or (o).

5.4 Designation of Separate Payments. For purposes of the Plan, the entitlement to a series of benefit payments under the Plan payable in periodic installments shall be treated as an entitlement to a series of separate payments, with each benefit payment being considered, and hereby designated as, a separate payment for purposes of Section 409A.

Section 6. Nature of Interest of Participant.

Participation in this Plan will not create, in favor of any Participant, any right or lien in or against any of the assets of the Company or any Employer, and all amounts of Compensation deferred hereunder shall at all times remain an unrestricted asset of the Company or the Employer. A Participant's rights to benefits payable under the Plan are not subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, or encumbrance. All payments hereunder shall be paid in cash from the general funds of the Company or applicable Employer and no special or separate fund shall be established and no other segregation of assets shall be made to assure the payment of benefits hereunder. Nothing contained in this Plan, and no action taken pursuant to its provisions, shall create or be construed to create a trust of any kind, or a fiduciary relationship, between any Employer and a Participant or any other person, and the Company's and each Employer's promise to pay benefits hereunder shall at all times remain unfunded as to the Participant.

Section 7. Hardship Distributions.

7.1 Hardship Definition. A Participant may request the Committee to accelerate distribution of all or any part of the value of his Account solely for the purpose of alleviating an immediate financial emergency. For purposes of this Section 7.1, such an immediate financial emergency shall mean a severe financial hardship to the Participant resulting from an illness or accident of the Participant, the Participant's spouse, or a dependent (as defined in Section 152(a) of the Code) of the Participant, loss of the Participant's property due to casualty, or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the

Participant. This requirement is met only if the amounts distributed with respect to an emergency do not exceed the amounts necessary to satisfy such emergency plus amounts necessary to pay taxes reasonably anticipated as a result of the distribution, after taking into account the extent to which such hardship is or may be relieved through reimbursement or compensation by insurance or otherwise or by liquidation of the Participant's assets (to the extent the liquidation of such assets would not itself cause severe financial hardship), including loans and withdrawals from the Viacom 401(k) Plan.

7.2 Committee Discretion. The Committee may request that the Participant provide certifications and other evidence of qualification for such emergency hardship distribution as it determines appropriate. The decision of the Committee with respect to the grant or denial of all or any part of such request shall be in the sole discretion of the Committee, whether or not the Participant demonstrates that an immediate financial emergency exists, and shall be final and binding and not subject to review.

Section 8. Beneficiary Designation.

A Participant's beneficiary designation for this Plan will automatically be the same as the Participant's beneficiary designation recognized under the Viacom Excess 401(k) Plan for Designated Senior Executives, unless a separate designation of beneficiary for this Plan has been properly filed.

Section 9. Administration.

9.1 Committee. This Plan will be administered by the Committee, the members of which were initially appointed by the Board of Directors and can be subsequently removed or replaced by the President and Chief Executive officer of the Company.

9.2 Powers of the Committee. The Committee's powers will include, but will not be limited to, the power:

- (a) to determine who are Eligible Employees for purposes of participation in the Plan;
- (b) to interpret the terms and provisions of the Plan and to determine any and all questions arising under the Plan, including without limitation, the right to remedy possible ambiguities, inconsistencies, or omissions by a general rule or particular decision;
- (c) to adopt rules consistent with the Plan; and
- (d) to approve certain amendments to the Plan.

9.3 Claims Procedure. The Committee shall have the exclusive right to interpret the Plan and to decide any and all matters arising thereunder.

(a) Claim for Benefit. Claims as to the amount of any distribution or method of payment under the Plan must be submitted in writing to the Committee. The Committee shall notify the Participant of its decision by written or electronic notice, in a manner calculated to be understood by the Participant. The notice shall set forth:

(1) the specific reasons for the denial of the claim;

(2) a reference to specific provisions of the Plan on which the denial is based;

(3) a description of any additional material or information necessary to perfect the claim and an explanation of why such material or information is necessary; and

(4) an explanation of the Plan's claims review procedure for the denied or partially denied claim and any applicable time limits, and a statement that the Participant has a right to bring a civil action under Section 502(a) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA") following an adverse benefit determination on review.

Such notification shall be given within 90 days after the claim is received by the Committee (or within 180 days, if special circumstances require an extension of time for processing the claim, and provided written notice of such extension and circumstances and the date a decision is expected is given the Participant within the initial 90-day period). The time period begins when the claim is filed, regardless of whether the Plan has all of the information necessary to decide the claim at the time of filing. A claim is considered approved only if its approval is communicated in writing to the Participant.

(b) Review or Denial of Claim. Upon denial of a claim in whole or in part, a Participant shall have the right to submit a written request to the Committee for a full and fair review of the denied claim. A request for review of a claim must be submitted within 60 days of receipt by the Participant of written notice of the denial of the claim. If the Participant fails to file a request for review within 60 days of the denial notification, the claim will be deemed abandoned and the Participant precluded from reasserting it. Also, if the Participant is not provided a notice of denial, the Participant may submit a written request for review to the Committee.

The Participant shall have, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to the Participant's claim for benefits. The Participant may submit written comments, documents, records, and other information relating to the claim for benefits. The review shall take into account all comments, documents, records, and other information submitted by the Participant relating to the claim, without regard to whether such information was submitted or considered in the initial benefit determination. Failure to raise issues or

present evidence on review will preclude those issues or evidence from being presented in any subsequent proceeding or judicial review of the claim.

(c) Decision by the Committee. The Committee will advise the Participant of the results of the review within 60 days after receipt of the written request for review (or within 120 days if special circumstances require an extension of time for processing the request, and if notice of such extension and circumstances is given to such Participant within the initial 60 day period).

The decision on review shall be in written or electronic form, in a manner calculated to be understood by the Participant. The notice shall set forth:

- (1) the specific reasons for the denial of the appeal of the claim;
- (2) the specific reference to pertinent provisions of the Plan on which the denial is based;
- (3) a statement that the Participant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to the Participant's claim for benefits;
- (4) a statement describing any voluntary appeal procedures offered by the Plan (if any) and the Participant's right to obtain the information about such procedures and a statement of the Participant's right to bring an action under Section 502(a) of ERISA.

To the extent of its responsibility to review the denial of benefit claims, the Committee shall have full authority to interpret and apply in its discretion the provisions of the Plan. The Committee may request a meeting to clarify any matters deemed appropriate.

A Participant, beneficiary, or other individual alleging a violation of or seeking any remedy under any provision of ERISA shall also be subject to the claims procedure described in this Section 9.3. Any such claim shall be filed within one year of the time the claim arises or it shall be deemed waived and abandoned. Also, any suit or legal action will be subject to a one-year limitation period, measured from the date a claim arises and tolled during the period that any claim is pending under the claims procedures of this Section 9.3.

9.4 Finality of Committee Determinations. Determinations by the Committee and any interpretation, rule, or decision adopted by the Committee under the Plan or in carrying out or administering the Plan shall be final and binding for all purposes and upon all interested persons, their heirs, and personal representatives.

9.5 Severability. If a provision of the Plan shall be held illegal or invalid, the illegality or invalidity shall not affect the remaining parts of the Plan, and the Plan shall be construed and enforced as if the illegal or invalid provision had not been included in the Plan.

9.6 Governing Law. The provisions of the Plan shall be governed by and construed in accordance with the laws of the State of New York, to the extent not preempted by the laws of the United States.

9.7 Gender. Wherein used herein, words in the masculine form shall be deemed to refer to females as well as males.

Section 10. No Employment Rights.

No provisions of the Plan or any action taken by the Company, the Board of Directors, or the Committee shall give any person any right to be retained in the employ of any Employer, and the right and power of the Company to dismiss or discharge any Participant is specifically reserved.

Section 11. Amendment, Suspension, and Termination.

The Committee shall have the right to amend the Plan at any time, unless provided otherwise in the Company's governing documents. The Board of Directors shall have the right to suspend or terminate the Plan at any time. No amendment, suspension or termination shall, without the consent of a Participant, adversely affect the value of such Participant's Account. In the event the Plan is terminated, the Committee shall continue to administer the Plan in accordance with the relevant provisions thereof.

As of September 24, 2007

Denise White  
c/o Viacom Inc.  
1515 Broadway  
New York, NY 10036

Dear Ms. White:

Viacom Inc. (the "Company"), 1515 Broadway, New York, New York, 10036, agrees to employ you, and you accept such employment, on the terms and conditions set forth in this letter agreement ("Agreement"). For purposes of this Agreement, "Viacom" shall mean Viacom Inc. and its subsidiaries.

1. Contract Period. The term of your employment under this Agreement shall begin on September 24, 2007 (the "Effective Date") and, unless terminated earlier as set forth herein, shall continue through and including September 23, 2010. The period from the Effective Date through September 23, 2010 is referred to as the "Contract Period", even if your employment terminates earlier for any reason.

2. Duties. You shall devote your entire business time, attention and energies to the business of Viacom during your employment with the Company; provided, however, that nothing in this Agreement shall preclude you from serving as a member of the board of directors of any for-profit entity with prior approval from the Company's Chief Executive Officer ("CEO") or of any charitable, educational, religious, entertainment industry trade, public interest or public service organization, in each instance not inconsistent with the business practices and policies of the Company, and provided further that such activities do not interfere with the performance of your duties and responsibilities hereunder. You shall be Executive Vice President, Human Resources and Administration of the Company, and you shall perform all duties reasonable and consistent with such office as may be assigned to you from time to time by the Company's Chief Administrative Officer, or other individual designated by the CEO; provided, however, that, without your consent, you shall not be required to report directly to any employee other than the CEO or a direct report of the CEO.

3. Compensation.

(a) Salary. The Company shall pay you base salary ("Salary") at a rate of Seven Hundred Fifty Thousand Dollars (\$750,000) per year for all of your services as an employee. Your Salary shall be subject to merit reviews, on or about an annual basis, while actively employed during the Contract Period and may, at that time, be increased but not decreased.

(b) Annual Bonus. You also shall be eligible to earn an annual bonus ("Bonus") or a Pro-Rated Bonus (as defined in paragraph 19(e)(ii)), as applicable, with respect to each calendar year that you are employed during the Contract Period, determined as set forth below.

- (i) Your Bonus for each calendar year shall be determined in accordance with the Viacom Inc. Short-Term Incentive Plan, or the Viacom Inc. Senior Executive Short-Term Incentive Plan, as applicable, as they may be amended from time to time (the "STIP").
- (ii) Your target Bonus for each calendar year during the Contract Period shall be 60% of your Salary (your "Target Bonus") as in effect on November 1st of such

year or the last day of the Contract Period, if earlier, and shall be adjusted based on the Company's performance (the "Company Performance Factor") and your individual performance (the "Individual Performance Factor"), in each case as determined by the Company and as further provided in the STIP; provided, however, that you shall receive not less than 100% of the Pro-Rated Bonus for the 2007 calendar year.

(c) Sign-On Bonus. You shall receive an unconditional, non-forfeitable sign-on bonus in the amount of Two Hundred Fifty Thousand Dollars (\$250,000) as soon as practicable following the Effective Date.

(d) Long-Term Incentive Compensation. During your employment under this Agreement, you shall be eligible to receive annual grants of long-term compensation under the Viacom Inc. 2006 Long-Term Management Incentive Plan or any successor plan (the "LTMIP"), as determined by the Viacom Inc. Board of Directors (the "Board") or a committee of the Board, in its discretion, based on a target value of Seven Hundred Thousand Dollars (\$700,000), determined and modified by the CEO and, if required, the Board or a committee of the Board. In addition, you shall receive thirty thousand (30,000) restricted share units under the LTMIP within ten (10) days after the Effective Date that shall vest in three installments of an equal whole number of restricted share units on each of the first, second and third anniversary of the date of grant.

(e) Compensation During Short-Term Disability. Your compensation for any period that you are absent due to a short-term disability ("STD") and receiving compensation under a Viacom STD plan shall be determined in accordance with the terms of such STD plan. The compensation provided to you under the applicable STD plan shall be in lieu of the Salary provided under this Agreement. Your participation in any other Viacom benefit plans or programs shall be governed by the terms of the applicable plan or program documents, award agreements and certificates.

(f) Relocation. Relocation services shall be provided to you in accordance with the terms of the Viacom Relocation Policy Overview. For the avoidance of doubt, the Company shall reimburse the cost of relocation with the assistance of a relocation service provider chosen by you; provided, however, that the Company shall only reimburse the cost of such relocation to the extent that the cost of such relocation is comparable to the cost of the same relocation provided by the relocation service provider most often used by the Company.

(g) Transportation. From the Effective Date through May 24, 2008, unless employment is terminated earlier as set forth herein, and subject to provision to the Company of reasonable supporting documentation, you shall be reimbursed for air transportation round-trips if used for your own personal travel between the Seattle, Washington metropolitan area and the New York metropolitan area, in accordance with the Company's business travel policies.

4. Benefits. During your employment under this Agreement, you shall be eligible to participate in any vacation programs, medical and dental plans and life insurance plans, STD and long-term disability ("LTD") plans, retirement and other employee benefit plans the Company may have, establish or maintain from time to time and for which you qualify pursuant to the terms of the applicable plan.

5. Business Expenses. During your employment under this Agreement, the Company shall reimburse you for such reasonable travel and other expenses, incurred in the performance of your duties

in accordance with the Company's policies, as are customarily reimbursed to Company executives at comparable levels.

6. Non-Competition and Non-Solicitation.

(a) Non-Competition.

(i) Your employment with the Company is on an exclusive and full-time basis, and, other than as set forth in paragraph 2, while you are employed by the Company, you shall not engage in any other business activity which is in conflict with your duties and obligations (including your commitment of time) to the Company. During the Non-Competition Period, you shall not directly or indirectly engage in or participate as an owner, partner, holder or beneficiary of stock, stock options or other equity interest, officer, employee, director, manager, partner or agent of, or consultant for, any business competitive with any business of Viacom without the prior written consent of the Company. This provision shall not limit your right to own not more than one percent (1%) of any of the debt or equity securities (or options or other rights to purchase the debt or equity securities) of any business organization that is then filing reports with the Securities and Exchange Commission pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, unless such ownership constitutes a significant portion of your net worth.

(ii) The "Non-Competition Period" begins on the Effective Date and ends on the last day of the Contract Period, provided that:

1. If the Company terminates your employment without Cause or if you validly resign for Good Reason before the end of the Contract Period, then the Non-Competition Period shall end on the earlier of (i) the end of the period in which you are receiving payments pursuant to paragraph 11(c)(i) or (ii) the effective date of your waiver in writing of any right to receive or continue to receive compensation and benefits under paragraph 11. You shall be deemed to have irrevocably provided such waiver if you accept competing employment.
2. If the Company terminates your employment for Cause or you resign other than for Good Reason, the Non-Competition Period shall end on the later of (i) the last day of the Contract Period or (ii) eighteen (18) months after such termination or resignation.

(b) Non-Solicitation.

(i) During the Non-Solicitation Period, you shall not directly or indirectly engage or attempt to engage in any of the following acts:

1. Employ or solicit the employment of any person who is then, or has been within six (6) months prior thereto, an employee of Viacom; or

2. Interfere with, disturb or interrupt the relationships (whether or not such relationships have been reduced to formal contracts) of Viacom with any customer, supplier, independent contractor, consultant, joint venture or other business partner.

(ii) The "Non-Solicitation Period" begins on the Effective Date and ends on the last day of the Contract Period, or, if longer, eighteen (18) months after the Company terminates your employment for Cause or you resign other than for Good Reason.

7. Confidentiality and Other Obligations.

(a) Confidential Information. You shall not use for any purpose or disclose to any third party any information relating to Viacom, Viacom's clients or other parties with which Viacom has a relationship, or that may provide Viacom with a competitive advantage ("Confidential Information"), other than (i) in the performance of your duties under this Agreement consistent with the Company's or Viacom's policies or (ii) as may otherwise be required by law and consistent with the requirements of paragraph 9. Confidential Information shall include, without limitation, trade secrets; inventions (whether or not patentable); technology and business processes; business, product or marketing plans; negotiating strategies; sales and other forecasts; financial information; client lists or other intellectual property; information relating to compensation and benefits; public information that becomes proprietary as a result of Viacom's compilation of that information for use in its business; documents (including any electronic record, videotapes or audiotapes) and oral communications incorporating Confidential Information. You shall also comply with any and all confidentiality obligations of Viacom to a third party that you know or should know about, whether arising under a written agreement or otherwise. Information shall not be deemed Confidential Information if it is or becomes generally available to the public other than as a result of an unauthorized disclosure or action by you or at your direction or by any other person who directly or indirectly receives such information from you.

(b) Interviews, Speeches or Writings About Viacom. Except in the performance of your duties under this Agreement consistent with Viacom's policies, you shall obtain the express authorization of the Company before (i) giving any speeches or interviews or (ii) preparing or assisting any person or entity in the preparation of any books, articles, radio broadcasts, electronic communications, television or motion picture productions or other creations, in either case concerning Viacom or any of its respective businesses, officers, directors, agents, employees, suppliers or customers.

(c) Non-Disparagement. You shall not, directly or indirectly, in any communications with any reporter, author, producer or any similar person or entity, the press or other media, or any customer, client or supplier of Viacom, criticize, ridicule or make any statement which is negative, disparages or is derogatory of Viacom or any of its directors or senior officers.

(d) Scope and Duration. The provisions of paragraph 7(a) shall be in effect during the Contract Period and at all times thereafter. The provisions of paragraphs 7(b) and 7(c) shall be in effect during the Contract Period and for one (1) year thereafter and such provisions shall apply to all formats and platforms now known or hereafter developed, whether written, printed, oral or electronic, including without limitation e-mails, "blogs", internet sites, chat or news rooms, podcasts or any online forum.

8. Viacom Property.

(a) Viacom Ownership.

- (i) The results and proceeds of your services to the Company, whether or not created during the Contract Period, including, without limitation, any works of authorship resulting from your services and any works in progress resulting from such services, shall be works-made-for-hire and Viacom shall be deemed the sole owner throughout the universe of any and all rights of every nature in such works, with the right to use, license or dispose of the works in perpetuity in any manner Viacom determines in its sole discretion without any further payment to you, whether such rights and means of use are now known or hereafter defined or discovered.
- (ii) If, for any reason, any of the results and proceeds of your services to the Company are not legally deemed a work-made-for-hire and/or there are any rights in such results and proceeds which do not accrue to Viacom under this paragraph 8(a), then you hereby irrevocably assign any and all of your right, title and interest thereto, including, without limitation, any and all copyrights, patents, trade secrets, trademarks and/or other rights of every nature in the work, and Viacom shall have the sole right to use, license or dispose of the work in perpetuity throughout the universe in any manner Viacom determines in its sole discretion without any further payment to you, whether such rights and means of use are now known or hereafter defined or discovered.
- (iii) Upon request by the Company, whether or not during the Contract Period, you shall do any and all things which the Company may deem useful or desirable to establish or document Viacom's rights in the results and proceeds of your services to the Company, including, without limitation, the execution of appropriate copyright, trademark and/or patent applications, assignments or similar documents. You hereby irrevocably designate the General Counsel, Secretary or any Assistant Secretary of Viacom Inc. as your attorney-in-fact with the power to take such action and execute such documents on your behalf. To the extent you have any rights in such results and proceeds that cannot be assigned as described above, you unconditionally and irrevocably waive the enforcement of such rights.
- (iv) The provisions of this paragraph 8(a) do not limit, restrict, or constitute a waiver by Viacom of any ownership rights to which Viacom may be entitled by operation of law by virtue of being your employer.
- (v) You and the Company acknowledge and understand that the provisions of this paragraph 8 requiring assignment of inventions to Viacom do not apply to any invention which qualifies fully under the provisions of California Labor Code Section 2870, to the extent that such provision applies to you. You agree to advise the Company promptly in writing of any inventions that you believe meet the criteria in California Labor Code Section 2870.

(b) Return of Property. All documents, data, recordings, or other property, whether tangible or intangible, including all information stored in electronic form, obtained or prepared by or for you and utilized by you in the course of your employment with the Company shall remain the exclusive property of Viacom and shall remain in Viacom's exclusive possession at the conclusion of your employment.

9. Legal Matters.

(a) Communication. Except as required by law or legal process or at the request of the Company, you shall not communicate with anyone, except to the extent necessary in the performance of your duties under this Agreement in accordance with Viacom Inc.'s policies, with respect to the facts or subject matter of any claim, litigation, regulatory or administrative proceeding directly or indirectly involving Viacom ("Viacom Legal Matter") without obtaining the prior consent of Viacom Inc. or its counsel.

(b) Cooperation. You agree to cooperate with Viacom and its attorneys in connection with any Viacom Legal Matter. Your cooperation shall include, without limitation, providing assistance to and meeting with Viacom's counsel, experts or consultants, and providing truthful testimony in pretrial and trial or hearing proceedings. In the event that your cooperation is requested after the termination of your employment, Viacom shall (i) seek to minimize interruptions to your schedule to the extent consistent with its interests in the matter; and (ii) reimburse you for all reasonable and appropriate out-of-pocket expenses actually incurred by you in connection with such cooperation upon reasonable substantiation of such expenses.

(c) Testimony. Except as required by law or legal process or at the request of Viacom Inc., you shall not testify in any lawsuit or other proceeding which directly or indirectly involves Viacom, or which may create the impression that such testimony is endorsed or approved by Viacom.

(d) Notice to Viacom. If you are requested or if you receive legal process requiring you to provide testimony, information or documents (including electronic documents) in any Viacom Legal Matter or that otherwise relates, directly or indirectly, to Viacom or any of its officers, directors, employees or affiliates, you shall give prompt notice of such event to Viacom Inc.'s General Counsel and you shall follow any lawful direction of Viacom Inc.'s General Counsel or his/her designee with respect to your response to such request or legal process.

(e) Adverse Party. The provisions of this paragraph 9 shall not apply to any litigation or other proceeding in which you are a party adverse to Viacom; provided, however, that Viacom expressly reserves its rights under paragraph 7 and its attorney-client and other privileges with respect to its documents and Confidential Information, except if expressly waived in writing.

(f) Duration. The provisions of this paragraph 9 shall apply during the Contract Period and at all times thereafter, and shall survive the termination of your employment with the Company, with respect to any Viacom Legal Matter arising out of or relating to the business in which you were engaged during your employment with the Company. As to all other Viacom Legal Matters, the provisions of this paragraph 9 shall apply during the Contract Period and for one year thereafter or, if longer, during the pendency of any Viacom Legal Matter which was commenced, or which Viacom received notice of, during such period.

10. Termination for Cause.

(a) Termination Payments. The Company may terminate your employment under this Agreement for Cause and thereafter shall have no further obligations to you under this Agreement or otherwise, except for any earned but unpaid Salary through and including the date of termination and any other amounts or benefits required to be paid or provided by law or under any plan of the Company (the "Accrued Compensation and Benefits"). Without limiting the generality of the preceding sentence, upon termination of your employment for Cause, you shall have no further right to any Bonus or to exercise or redeem any stock options or other equity compensation.

(b) Cause Definition. "Cause" shall mean, by using an objective standard: (i) conduct constituting embezzlement, material misappropriation or fraud, whether or not related to your employment with the Company; (ii) conduct constituting a felony, whether or not related to your employment with the Company; (iii) conduct constituting a financial crime, material act of dishonesty or material unethical business conduct, involving Viacom; (iv) willful unauthorized disclosure or use of Confidential Information; (v) the failure to substantially obey a material lawful directive that is appropriate to your position from a superior in your reporting line or the Board; (vi) your material breach of any material obligation under this Agreement; (vii) the failure or refusal to substantially perform your material obligations under this Agreement (other than any such failure or refusal resulting from your STD or LTD); (viii) the willful failure to cooperate with a bona fide internal investigation or an investigation by regulatory or law enforcement authorities, whether or not related to employment with the Company, after being instructed by Viacom to cooperate; (ix) the willful destruction of or failure to preserve documents or other material known to be relevant to any investigation referred to in subparagraph (viii) above; or (x) the willful inducement of others to engage in the conduct described in subparagraphs (i) – (ix).

(c) Notice/Cure. The Company shall give you written notice prior to terminating your employment on any of the bases described in paragraph 10(b) (v), (vi), (vii), (viii), (ix) or (x), setting forth the nature of any alleged failure, breach or refusal in reasonable detail and the conduct required to cure such breach, failure or refusal. Except for a failure, breach or refusal which, by its nature, cannot reasonably be expected to be cured, you shall have ten (10) business days from the giving of such notice within which to cure; provided, however, that, if the Company reasonably expects irreparable injury from a delay of ten (10) business days, the Company may give you notice of such shorter period within which to cure as is reasonable under the circumstances, which may include the termination of your employment without notice and with immediate effect.

11. Resignation for Good Reason and Termination Without Cause.

(a) Resignation for Good Reason.

(i) You may resign for Good Reason at any time that you are actively employed during the Contract Period by written notice to the Company no more than thirty (30) days after the occurrence of the event constituting Good Reason. Such notice shall state the grounds for such Good Reason resignation and an effective date no earlier than thirty (30) business days after the date it is given. The Company shall have ten (10) business days from the giving of such notice within which to cure and, in the event of such cure, your notice shall be of no further force or effect.

(ii) "Good Reason" shall mean without your consent (other than in connection with the termination or suspension of your employment or duties for Cause or in

connection with your death or LTD); (i) the assignment to you of duties or responsibilities substantially inconsistent with your position(s) or duties; (ii) the withdrawal of material portions of your duties; or (iii) the material breach by the Company of any material obligation under this Agreement.

(b) Termination Without Cause. The Company may terminate your employment under this Agreement without Cause at any time during the Contract Period by written notice to you.

(c) Termination Payments/Benefits. In the event that your employment terminates under paragraph 11(a) or (b), you shall thereafter receive the compensation and benefits described below and the following shall apply:

- (i) The Company shall continue to pay your Salary (at the rate in effect on the date of termination) for the longer of one (1) year or until the end of the Contract Period (subject to the limitation set forth in the next paragraph);
- (ii) You shall be eligible to receive a Bonus or Pro-Rated Bonus, as applicable, for each year during the Contract Period, calculated as provided in paragraph 19(e)(iii), provided that the total severance payment you receive pursuant to paragraphs 11(c)(i) and (ii) shall in no event exceed two times the sum of your Salary and Target Bonus in the calendar year in which such termination occurs;
- (iii) Provided you validly elect continuation of your medical and dental coverage under Section 4980B(f) of the Internal Revenue Code of 1986 (the "Code") (relating to coverage under the Consolidated Omnibus Budget Reconciliation Act of 1985 ("COBRA")), your coverage and participation under the Company's medical and dental benefit plans and programs in which you were participating immediately prior to your termination of employment pursuant to this paragraph 11, shall continue at no cost to you (except as provided in paragraph 19(a)) until the earlier of (i) the end of the Contract Period or (ii) the date on which you become eligible for medical and/or dental coverage from a third party. You may elect to continue your medical and dental coverage under COBRA at your own expense for the balance, if any, of the period required by law;
- (iv) The Company shall continue to provide you with life insurance coverage, at no premium cost to you (unless you had no coverage at the time of termination), until the end of the Contract Period or, if longer, the end of the period in which you are receiving payments pursuant to paragraph 11(c)(i), in accordance with the Company's then-current policy, as may be amended from time to time, and in the amount then furnished at no cost to other Company executives at comparable levels. Such coverage shall end in the event you are eligible to obtain life insurance coverage from another employer;
- (v) The following shall apply with respect to any stock options granted to you under any Viacom Inc. long-term incentive plan:
  - (x) all stock options that have not vested as of the date of your termination of employment, but that would have vested on or before the end of the Contract Period, shall become fully vested on the date of termination and such stock

options shall remain exercisable for six (6) months after such date (or, if longer, such period provided under the terms of the applicable long-term incentive plan), but in no event later than the expiration date of such options; and

(y) all outstanding stock options that have vested on or prior to the date of your termination of employment pursuant to this paragraph 11 shall remain exercisable for six (6) months after such date (or, if longer, such period provided under the terms of the applicable long-term incentive plan), but in no event later than the expiration date of such options;

(vi) (x) All restricted share units granted to you under any Viacom Inc. long-term incentive plan that have not vested as of the date of your termination of employment, but that would have vested on or before the end of the Contract Period and (y) all tranches of the 30,000 restricted share units provided for in paragraph 3(d) that are unvested shall become fully vested on the date of termination;

(vii) There shall be no acceleration of the vesting of any equity or long-term incentive awards granted to you under any Viacom Inc. long-term incentive plan, unless otherwise provided herein or under the terms of the applicable long-term incentive plan;

(viii) With respect to any performance share units or other equity awards with performance criteria that have been granted to you under any Viacom Inc. long-term incentive plan after January 1, 2007 ("PSUs") for which the applicable performance period for any such award has not ended prior to the date of such termination, the number of shares of Viacom Class B Common Stock to be delivered to you with respect to such PSU award shall be determined based on valuation criteria for such shortened performance period ending on the date of such termination, multiplied by a fraction, the numerator of which is the number of days starting with and inclusive of the first date of the relevant performance period and ending on and inclusive of the date of such termination and the denominator of which is the number of days in the full three-year performance period. Such shares shall be delivered in full settlement of the PSUs in accordance with any Viacom Inc. long-term incentive plan and the terms and conditions applicable to the PSUs (the "PSU Terms and Conditions"). Your award will be forfeited in full, and no shares will be delivered if your employment terminates before the end of the performance period for any reason other than as provided in paragraphs 11, 13 and 14; and

(ix) The Company shall pay or continue to provide, as applicable, the Accrued Compensation and Benefits.

(d) Release. The Company shall not be required to make the payments or provide the benefits described in this paragraph 11 (except for the Accrued Compensation and Benefits), unless you execute and deliver to the Company a release in substantially the form appended hereto as Appendix A or any other form of release as is in use by the Company at the time of your termination of employment, and the release has become effective and irrevocable in its entirety.

(e) Mitigation. You shall be required to Mitigate (as defined in paragraph 19(c)) the amount of any payment provided for in subsections (i), (ii) (iii), (iv) and (v) of paragraph 11(c). Mitigation shall not, however, be required for twelve (12) months after the termination of your employment or, if less, the balance of the Contract Period.

12. Resignation in Breach of the Agreement. If you resign prior to the expiration of the Contract Period other than for Good Reason, such resignation shall be treated as a termination for Cause under paragraph 10. After such resignation, without limitation of other rights or remedies available to the Company, the Company shall have no further obligations to you under this Agreement or otherwise, except for any Accrued Compensation and Benefits.

13. Termination Due to Death.

(a) Death While Employed. In the event of your death prior to the end of the Contract Period while actively employed with the Company, this Agreement shall automatically terminate. Thereafter, your designated beneficiary (or, if there is no such beneficiary, your estate) shall receive (i) any Accrued Compensation and Benefits as of the date of your death, (ii) for the year in which death occurs, any Bonus or Pro-Rated Bonus, as applicable, which you would have been eligible to receive, calculated in accordance with paragraph 19(e)(iii) and (iii) with respect to any PSUs for which the applicable performance period for any such award has not ended prior to the date of your death, the number of shares of Viacom Class B Common Stock to be delivered to you with respect to such PSU award shall be determined based on valuation criteria for such shortened performance period ending on the date of your death, multiplied by a fraction, the numerator of which is the number of days starting with and inclusive of the first date of the relevant performance period and ending on and inclusive of the date of your death and the denominator of which is the number of days in the full three-year performance period. Such shares shall be delivered in full settlement of the PSUs in accordance with the PSU Terms and Conditions. Your award under subsection (iii) above will be forfeited in full, and no shares will be delivered if your employment terminates before the end of the performance period for any reason other than as provided in paragraphs 11, 13 and 14. All tranches of the 30,000 restricted share units provided for in paragraph 3(d) that are unvested shall become fully vested on the date of your death.

(b) Death After the End of Employment. In the event of your death while you are entitled to receive compensation or benefits under paragraphs 11 or 15, in lieu of such payments your designated beneficiary (or, if there is no such beneficiary, your estate) shall receive, to the extent not previously paid to you, (i) continuation of Salary pursuant to the applicable paragraph through the date of death; (ii) if you were entitled to receive compensation or benefits under paragraph 11, for the year in which death occurs, any Bonus or Pro-Rated Bonus, as applicable, for the year in which death occurs, payable under such paragraph, calculated in accordance with paragraph 19(e)(iii); and (iii) any Accrued Compensation and Benefits.

14. Termination Due to LTD.

(a) In the event you are absent due to a LTD and receiving compensation under a Viacom LTD plan, this Agreement shall terminate on the date you begin receiving compensation under a Viacom LTD plan without any further action required by the Company. In the event of such termination, you shall receive (i) any Accrued Compensation and Benefits and (ii) for the year in which such termination occurs, any Bonus or Pro-Rated Bonus, as applicable, which you would have been entitled to receive, calculated in accordance with paragraph 19(e)(iii). Except as set forth in the previous sentence, the compensation provided to you under the applicable LTD plan shall be in lieu of any compensation from the Company (including, but not limited to, the Salary provided under this Agreement or otherwise). Your participation in any other Viacom benefit plans or programs shall be governed by the terms of the applicable plan or program documents, award agreements and certificates.

(b) With respect to any PSUs for which the applicable performance period for any such award has not ended prior to the date on which benefits commence for you under the LTD program, the number of shares of Viacom Class B Common Stock to be delivered to you with respect to such PSU award shall be determined based on valuation criteria for such shortened performance period ending on the date on which benefits commence for you under the LTD program, multiplied by a fraction, the numerator of which is the number of days starting with and inclusive of the first date of the relevant performance period and ending on and inclusive of the date on which benefits commence for you under the LTD program and the denominator of which is the number of days in the full three-year performance period. Such shares shall be delivered in full settlement of the PSUs in accordance with the PSU Terms and Conditions. Your award will be forfeited in full, and no shares will be delivered if your employment terminates before the end of the performance period for any reason other than as provided in paragraphs 11, 13 and 14.

(c) All tranches of the 30,000 restricted share units provided for in paragraph 3(d) that are unvested shall become fully vested on the first day that you are absent due to a LTD and receiving compensation under a Viacom LTD plan.

15. Non-Renewal. If the Company does not extend or renew this Agreement at the end of the Contract Period and you have not entered into a new contractual relationship with the Company or Viacom, your continuing employment, if any, with the Company or Viacom shall be "at-will" and may be terminated at any time by either party. If the Company or Viacom terminates your employment during the twelve (12) month period commencing with the last day of the Contract Period while you are an employee at-will, you shall continue to receive your Salary (at the rate in effect on the date of such termination) for the balance, if any, of such twelve (12) month period; provided, however, that you shall not be entitled to such Salary continuation if the Company terminates your employment for reasons constituting Cause. You shall be required to Mitigate the amount of any payment under this paragraph 15.

16. Severance Plan Election. In the event that your employment with the Company terminates pursuant to paragraphs 11 or 15, you may elect to waive all termination compensation and benefits under this Agreement and instead receive the severance compensation and benefits provided under the Viacom severance plan for which you would have been eligible as a non-contractual employee if you had not entered into this Agreement. If you elect to waive termination compensation and benefits under this Agreement, all other provisions of this Agreement shall remain in effect, including, without limitation, paragraphs 6, 7, 8 and 9.

17. Further Events on Termination of Employment.

(a) Termination of Benefits. Except as otherwise expressly provided in this Agreement, your participation in all Viacom benefit plans and programs (including, without limitation, medical and dental coverage, life insurance coverage, vacation accrual, all retirement and the related excess plans, STD and LTD plans and accidental death and dismemberment and business travel and accident insurance and your rights with respect to any outstanding equity compensation awards) shall be governed by the terms of the applicable plan and program documents, award agreements and certificates.

(b) Resignation from Official Positions. If your employment with the Company terminates for any reason, you shall be deemed to have resigned at that time from any and all officer or director positions that you may have held with the Company or Viacom and all board seats or other positions in other entities to which you have been designated by the Company or Viacom or which you have held on behalf of the Company or Viacom. If, for any reason, this paragraph 17(b) is deemed insufficient to effectuate such resignation, you hereby authorize the Secretary and any Assistant Secretary of Viacom Inc. to execute any documents or instruments which Viacom Inc. may deem necessary or desirable to effectuate such resignation or resignations, and to act as your attorney-in fact.

18. Survival; Remedies.

(a) Survival. Your obligations under paragraphs 6, 7, 8 and 9 shall remain in full force and effect for the entire period provided therein notwithstanding the termination of your employment for any reason or the expiration of the Contract Period.

(b) Modification of Terms. You and the Company acknowledge and agree that the restrictions and remedies contained in paragraphs 6, 7, 8 and 9 are reasonable and that it is your intention and the intention of the Company that such restrictions and remedies shall be enforceable to the fullest extent permissible by law. If a court of competent jurisdiction shall find that any such restriction or remedy is unenforceable, but would be enforceable if some part were deleted or modified, then such restriction or remedy shall apply with the deletion or modification necessary to make it enforceable and shall in no way affect any other provision of this Agreement or the validity or enforceability of this Agreement.

(c) Injunctive Relief. The Company has entered into this Agreement in order to obtain the benefit of your unique skills, talent, and experience. You acknowledge and agree that any violation of paragraphs 6, 7, 8 and 9 shall result in irreparable damage to the Company, and, accordingly, the Company may obtain injunctive and other equitable relief for any breach or threatened breach of such paragraphs, in addition to any other remedies available to the Company. To the extent permitted by applicable law, you hereby waive any right to the posting of a bond in connection with any injunction or other equitable relief sought by the Company and you agree not to seek such relief in your opposition to any application for relief the Company shall make.

(d) Other Remedies. In the event that you violate the provisions of paragraphs 6, 7, 8 or 9 at any time during the Non-Competition Period or any period in which the Company is making payments to you pursuant to this Agreement, (i) any outstanding stock options or other undistributed equity awards granted to you by the Company shall immediately be forfeited, whether vested or unvested; and (ii) the Company's obligation to make any further payments or to provide benefits (other than Accrued Compensation and Benefits) to you pursuant to this Agreement shall terminate. The remedies under this paragraph 18 are in addition to any other remedies the Company may have against you, including under

this Agreement or any other agreement, under any equity or other incentive or compensation plan or under applicable law.

19. General Provisions.

(a) Deductions and Withholdings. In the event of the termination of your employment for any reason, the Company reserves the right, to the extent permitted by law and in addition to any other remedy the Company may have, to deduct from any monies otherwise payable to you, all monies and the replacement value of any property you may owe to the Company at the time of or subsequent to the termination of your employment with the Company. To the extent any law requires an employee's consent to the offset provided in this paragraph and permits such consent to be obtained in advance, this Agreement shall be deemed to provide the required consent. Except as otherwise expressly provided in this Agreement or in any Company benefit plan, all amounts payable under this Agreement shall be paid in accordance with the Company's ordinary payroll practices less deductions and income and payroll tax withholding as may be required under applicable law. Any property (including shares of Viacom Inc. Class B Common Stock), benefits and perquisites provided to you under this Agreement, including, without limitation, COBRA payments made on your behalf, shall be taxable to you as provided by law.

(b) Cash and Equity Awards Modifications. Notwithstanding any other provisions of this Agreement to the contrary, the Company reserves the right to modify or amend unilaterally the terms and conditions of your cash compensation, stock option awards or other equity awards, without first asking your consent, to the extent that the Company considers such modification or amendment necessary or advisable to comply with any law, regulation, ruling, judicial decision, accounting standard, regulatory guidance or other legal requirement (the "Legal Requirement") applicable to such cash compensation, stock option awards or other equity awards, provided that, except where necessary to comply with law, such amendment does not have a material adverse effect on the value of such compensation award to you. In addition, the Company may, without your consent, amend or modify your cash compensation, stock option awards or other equity awards in any manner that the Company considers necessary or advisable to ensure that such cash compensation, stock option awards or other equity awards are not subject to United States federal income tax, state or local income tax or any equivalent taxes in territories outside the United States prior to payment, exercise, vesting or settlement, as applicable, or any tax, interest or penalties pursuant to Section 409A of the Code, the regulations promulgated thereunder or any related guidance issued by the U.S. Treasury Department. In addition, if any provision of this Agreement contravenes Section 409A of the Code, the Company may reform this Agreement or any provision hereof to maintain to the maximum extent practicable the original intent of the provision without violating the provisions of Section 409A of the Code.

(c) Mitigation and Offset. Where this Agreement requires you to mitigate ("Mitigate" or "Mitigation") any payment, you shall be required to seek other employment. The amount of payments provided in such provision shall be reduced by any compensation for services earned by you (including as an independent consultant or independent contractor) from any source in respect of any period during which the Company is required to make payments to you pursuant to paragraph 11 or 15 (the "Offset Period"), including, without limitation, salary, sign-on or annual bonus (regardless of when paid), consulting fees, commission payments and any amounts the payment of which is deferred at your election, or with your consent, until after the expiration of the Offset Period, and shall be further reduced by the present value, as reasonably determined by the Company, of any long-term compensation you receive that is greater than you likely would have received from the Company based on the Company's historic practices, prorating the value of such long-term compensation over the term of service required to vest therein. You agree to promptly notify the Company of any arrangements during the Offset Period in

which you perform services for pay and to cooperate fully with the Company in determining the amount of any such reduction.

(d) No Duplicative Payments. The payments and benefits provided in this Agreement in respect to the termination of employment and non-renewal of this Agreement are in lieu of any other salary, bonus or benefits payable by the Company, including, without limitation, any severance or income continuation or protection under any Viacom plan that may now or hereafter exist. All such payments and benefits shall constitute liquidated damages, paid in full and final settlement of all obligations of Viacom to you under this Agreement.

(e) Payment of Bonus Compensation.

- (i) The Bonus for any calendar year under this Agreement shall be payable by March 15<sup>th</sup> of the following year.
- (ii) Except as otherwise expressly provided in this Agreement, your Bonus shall be prorated to apply only to that part of the calendar year which falls within the Contract Period (a "Pro-Rated Bonus").
- (iii) Any Bonus or Pro-Rated Bonus payable pursuant to paragraphs 11, 13 or 14 shall be paid at your Target Bonus amount, adjusted based on the Company Performance Factor for the relevant year; provided, however, that the Company Performance Factor shall be deemed to be the Company's actual performance factor, but not to exceed 100%.

(f) Parachute Payment Adjustments. Notwithstanding anything herein to the contrary, in the event that you receive any payments or distributions, whether payable or distributed or distributable pursuant to the terms of this Agreement or otherwise, that constitute "parachute payments" within the meaning of Section 280G of the Code, and the net after-tax amount of the parachute payment is less than the net after-tax amount if the aggregate payment to be made to you were three times your "base amount" (as defined in Section 280G(b)(3) of the Code) less \$1.00, then the aggregate of the amounts constituting the parachute payment shall be reduced to an amount that shall equal three times your base amount, less \$1.00. The determinations to be made with respect to this paragraph 19(f) shall be made by a certified public accounting firm designated by the Company and reasonably acceptable to you.

(g) Adjustments to Bonuses and Long-Term Incentive Compensation. Notwithstanding anything herein to the contrary, the Company shall be entitled to adjust the amount of any Bonus or any award of long-term incentive compensation if the financial statements of Viacom or the business unit on which the calculation or determination of the Bonus or award of long-term incentive compensation were based are subsequently restated and, in the judgment of the Company, the financial statements as so restated would have resulted in a smaller Bonus or long-term incentive compensation award if such information had been known at the time the Bonus or award had originally been calculated or determined. In addition, in the event of such a restatement: (i) the Company may require you, and you agree, to repay to the Company the amount by which the Bonus as originally calculated or determined exceeds the Bonus as adjusted pursuant to the preceding sentence; and (ii) the Company may cancel, without any payment therefor, the portion of any award of long-term incentive compensation that exceeds the award adjusted pursuant to the preceding sentence (or, if such portion of an award cannot be canceled because (x) in the case of stock options or other similar awards, you have previously exercised it, the Company may require you, and you agree, to repay to the Company the amount, net of any exercise price, that you

realized upon exercise or (y) in the case of restricted share units or other similar awards, shares of Class B Common Stock were delivered to you in settlement of such award, the Company may require you, and you agree to return the shares of Class B Common Stock, or if such shares were sold by you, return any proceeds realized on the sale of such shares).

(h) Mediation. Prior to the commencement of any legal proceeding relating to your employment, you and the Company agree to attempt to mediate the dispute using a professional mediator from the American Arbitration Association ("AAA") or the International Institute for Conflict Prevention and Resolution ("CPR"). Within a period of 30 days after a written request for mediation by either you or the Company, the parties agree to convene with the mediator, for at least one session to attempt to resolve the matter. In no event will mediation delay commencement of any legal proceeding for more than 30 days absent agreement of the parties or prevent a bona fide application by either party to a court of competent jurisdiction for emergency relief. The fees of the mediator and of the AAA or CPR, as the case may be, shall be borne by the Company.

20. Additional Representations and Acknowledgments.

(a) No Acceptance of Payments. You represent that you have not accepted or given nor shall you accept or give, directly or indirectly, any money, services or other valuable consideration from or to anyone other than the Company or Viacom for the inclusion of any matter as part of any film, television, internet or other programming produced, distributed and/or developed by Viacom.

(b) Viacom Policies. You recognize that the Company is an equal opportunity employer. You agree that you shall comply with the Company's employment practices and policies, as they may be amended from time to time, and with all applicable federal, state and local laws prohibiting discrimination on any basis. In addition, you agree that you shall comply with the Viacom Inc. Business Conduct Statement and Viacom's other policies and procedures, as they may be amended from time to time, and provide the certifications and conflict of interest disclosures required by the Viacom Inc. Business Conduct Statement.

(c) No Restriction on Employment. You represent that (i) you have disclosed to the Company all employment agreements, covenants and restrictions to which you are or have been a party; and (ii) you are not subject to any covenant, agreement or restriction (including, but not limited to, a covenant of non competition) with or by any third party that would prevent you from beginning your employment on September 24, 2007 and thereafter performing your duties and responsibilities for the Company, or would impinge upon, interfere with, or restrict your ability to perform your duties or responsibilities for the Company under this Agreement.

21. Notices. Notices under this Agreement must be given in writing, by personal delivery, regular mail or receipted email, at the parties' respective addresses shown on this Agreement (or any other address designated in writing by either party), with a copy, in the case of the Company, to the attention of Viacom Inc.'s General Counsel. Any notice given by regular mail shall be deemed to have been given three (3) days following such mailing.

22. Binding Effect; Assignment. This Agreement and rights and obligations of the Company hereunder shall not be assigned by the Company, provided that the Company may assign this Agreement to any subsidiary or affiliated company of or any successor in interest to the Company. This Agreement is for the performance of personal services by you and may not be assigned by you, except

that the rights specified in Section 13 shall pass upon your death to your designated beneficiary (or, if there is no such beneficiary, your estate).

23. **GOVERNING LAW AND FORUM.** You acknowledge that this agreement has been executed, in whole or in part, in New York. Accordingly, you agree that this Agreement and all matters or issues arising out of or relating to your employment with the Company shall be governed by the laws of the State of New York applicable to contracts entered into and performed entirely therein. Any action to enforce this Agreement shall be brought solely in the state or federal courts located in the City of New York, Borough of Manhattan.

24. **No Implied Contract.** Nothing contained in this Agreement shall be construed to impose any obligation on the Company or you to renew this Agreement or any portion hereof or on the Company to establish or maintain any benefit, welfare or compensation plan or program or to prevent the modification or termination of any benefit, welfare or compensation plan or program or any action or inaction with respect to any such benefit, welfare or compensation plan or program. The parties intend to be bound only upon full execution of a written agreement by both parties and no negotiation, exchange of draft, partial performance or tender of an agreement (including any extension or renewal of this Agreement) executed by one party shall be deemed to imply an agreement or the renewal or extension of any agreement relating to your employment with the Company. Neither the continuation of employment nor any other conduct shall be deemed to imply a continuing agreement upon the expiration of the Contract Period.

25. **Entire Understanding.** This Agreement contains the entire understanding of the parties hereto relating to the subject matter contained in this Agreement, and can be changed only by a writing signed by both parties.

Please confirm your understanding of the Agreement by signing and returning all five (5) copies of this Agreement. This document shall constitute a binding agreement between us only after it also has been executed by the Company and a fully executed copy has been returned to you.

Very truly yours,

**VIACOM INC.**

By: /s/ Thomas E. Dooley  
Thomas E. Dooley  
Senior Executive Vice President,  
Chief Administrative Officer &  
Chief Financial Officer

**ACCEPTED AND AGREED:**

/s/ Denise White  
Denise White

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

Denise White  
c/o Viacom Inc.  
1515 Broadway  
New York, NY 10036

This General Release of all Claims (this "Agreement") is entered into by Denise White (the "Executive") and Viacom Inc. (the "Company"), 1515 Broadway, New York, New York, 10036, effective as of \_\_\_\_\_.

In consideration of the promises set forth in the letter agreement between the Executive and the Company, dated September 24, 2007 (the "Employment Agreement"), the Executive and the Company agree as follows:

1. Return of Property. All Company files, access keys and codes, desk keys, ID badges, computers, records, manuals, electronic devices, computer programs, papers, electronically stored information or documents, telephones and credit cards, and any other property of the Company in the Executive's possession must be returned no later than the date of the Executive's termination from the Company.

2. General Release and Waiver of Claims.

(a) Release. In consideration of the payments and benefits provided to the Executive under the Employment Agreement and after consultation with counsel, the Executive and each of the Executive's respective heirs, executors, administrators, representatives, agents, insurers, successors and assigns (collectively, the "Releasors") hereby irrevocably and unconditionally release and forever discharge the Company, its subsidiaries and affiliates and each of their respective officers, employees, directors, shareholders and agents ("Releasees") from any and all claims, actions, causes of action, rights, judgments, obligations, damages, demands, accountings or liabilities of whatever kind or character (collectively, "Claims"), including, without limitation, any Claims under any federal, state, local or foreign law, that the Releasors may have, or in the future may possess, arising out of (i) the Executive's employment relationship with and service as an employee, officer or director of the Company, Viacom (as defined in the Employment Agreement) or any subsidiaries or affiliated companies and the termination of such relationship or service, and (ii) any event, condition, circumstance or obligation that occurred, existed or arose on or prior to the date hereof; provided, however, that the Executive does not release, discharge or waive any rights to (i) payments and benefits provided under the Employment Agreement that are contingent upon the execution by the Executive of this Agreement and (ii) any indemnification rights the Executive may have in accordance with the Company's governance instruments or under any director and officer liability insurance maintained by the Company with respect to liabilities arising as a result of the Executive's service as an officer and employee of the Company.

(b) Specific Release of ADEA Claims. In further consideration of the payments and benefits provided to the Executive under the Employment Agreement, the Releasors hereby unconditionally release and forever discharge the Releasees from any and all Claims that the Releasors may have as of the date the Executive signs this Agreement arising under the Federal Age Discrimination in Employment Act of 1967, as amended, and the applicable rules and regulations promulgated thereunder ("ADEA"). By signing this Agreement, the Executive hereby acknowledges and confirms the following: (i) the Executive was advised by the Company in connection with her termination to consult with an attorney of her choice prior to signing this Agreement and to have such attorney explain to the Executive the terms of this Agreement, including, without limitation, the terms relating to the Executive's

release of claims arising under ADEA, and the Executive has in fact consulted with an attorney; (ii) the Executive was given a period of not fewer than 21 days to consider the terms of this Agreement and to consult with an attorney of her choosing with respect thereto; (iii) the Executive knowingly and voluntarily accepts the terms of this Agreement; and (iv) the Executive is providing this release and discharge only in exchange for consideration in addition to anything of value to which the Executive is already entitled. The Executive also understands that she has seven (7) days following the date on which she signs this Agreement within which to revoke the release contained in this paragraph, by providing the Company a written notice of her revocation of the release and waiver contained in this paragraph.

(c) No Assignment. The Executive represents and warrants that she has not assigned any of the Claims being released under this Agreement. The Company may assign this Agreement, in whole or in part, to any affiliated company or subsidiary of, or any successor in interest to, the Company.

3. Proceedings. The Executive has not filed, and agrees not to initiate or cause to be initiated on her behalf, any complaint, charge, claim or proceeding against the Releasees before any local, state or federal agency, court or other body relating to her employment or the termination of her employment, other than with respect to the obligations of the Company to the Executive under the Employment Agreement (each, individually, a "Proceeding"), and agrees not to participate voluntarily in any Proceeding. The Executive waives any right she may have to benefit in any manner from any relief (whether monetary or otherwise) arising out of any Proceeding.

4. Remedies. In the event the Executive initiates or voluntarily participates in any Proceeding, or if she fails to abide by any of the terms of this Agreement or her post-termination obligations contained in the Employment Agreement, or if she revokes the ADEA release contained in paragraph 2(b) within the seven-day period provided under paragraph 2(b), the Company may, in addition to any other remedies it may have, reclaim any amounts paid to her under the termination provisions of the Employment Agreement or terminate any benefits or payments that are subsequently due under the Employment Agreement, without waiving the release granted herein. The Executive acknowledges and agrees that the remedy at law available to the Company for breach of any of her post-termination obligations under the Employment Agreement or her obligations under paragraphs 2 and 3 herein would be inadequate and that damages flowing from such a breach may not readily be susceptible to being measured in monetary terms. Accordingly, the Executive acknowledges, consents and agrees that, in addition to any other rights or remedies that the Company may have at law or in equity or as may otherwise be set forth in the Employment Agreement, the Company shall be entitled to seek a temporary restraining order or a preliminary or permanent injunction, or both, without bond or other security, restraining the Executive from breaching her post-termination obligations under the Employment Agreement or her obligations under paragraphs 2 and 3 herein. Such injunctive relief in any court shall be available to the Company, in lieu of, or prior to or pending determination in, any arbitration proceeding.

The Executive understands that by entering into this Agreement she shall be limiting the availability of certain remedies that she may have against the Company and limiting also her ability to pursue certain claims against the Company.

5. Severability Clause. In the event any provision or part of this Agreement is found to be invalid or unenforceable, only that particular provision or part so found, and not the entire Agreement, shall be inoperative.

6. Nonadmission. Nothing contained in this Agreement shall be deemed or construed as an admission of wrongdoing or liability on the part of the Company.

7. **GOVERNING LAW AND FORUM.** You acknowledge that this agreement has been executed, in whole or in part, in New York. Accordingly, you agree that this Agreement and all matters or issues arising out of or relating to your employment with the Company shall be governed by the laws of the State of New York applicable to contracts entered into and performed entirely therein. Any action to enforce this Agreement shall be brought solely in the state or federal courts located in the City of New York, Borough of Manhattan.

8. Notices. Notices under this Agreement must be given in writing, by personal delivery, regular mail or receipted email, at the parties' respective addresses shown on this Agreement (or any other address designated in writing by either party), with a copy, in the case of the Company, to the attention of Viacom Inc.'s General Counsel. Any notice given by regular mail shall be deemed to have been given three (3) days following such mailing.

**THE EXECUTIVE ACKNOWLEDGES THAT SHE HAS READ THIS AGREEMENT AND THAT SHE FULLY KNOWS, UNDERSTANDS AND APPRECIATES ITS CONTENTS, AND THAT SHE HEREBY EXECUTES THE SAME AND MAKES THIS AGREEMENT AND THE RELEASE AND AGREEMENTS PROVIDED FOR HEREIN VOLUNTARILY AND OF HER OWN FREE WILL.**

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first set forth above.

**VIACOM INC.**

By: \_\_\_\_\_  
Thomas E. Dooley  
Senior Executive Vice President,  
Chief Administrative Officer &  
Chief Financial Officer

**THE EXECUTIVE**

\_\_\_\_\_  
Denise White

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

**Subsidiaries of Viacom Inc.**  
**(as of January 31, 2009)**

<u>Subsidiary Name</u>	<u>Place of Incorporation or Organization</u>
<b>BET</b>	
BET Acquisition Corp.	Delaware
BET Animations, LLC	Delaware
BET Arabesque, LLC	Delaware
BET Comic View II, LLC	Delaware
BET Creations, Inc.	Delaware
BET Development Company	Delaware
BET Documentaries, LLC	Delaware
BET Event Productions, LLC	Delaware
BET Grilled, LLC	Delaware
BET Holdings LLC	Delaware
BET Innovations Publishing, Inc.	Delaware
BET Interactive, LLC	Delaware
BET International, Inc.	Delaware
BET Live From LA, LLC	Delaware
BET Live Production, LLC	Delaware
BET Music Soundz, Inc.	Delaware
BET Networks Productions, LLC	Delaware
BET Oh Drama!, LLC	Delaware
BET Pictures II Development & Production, Inc.	Delaware
BET Pictures II Distribution, Inc.	Delaware
BET Pictures II, LLC	Delaware
BET Prime and Mike, LLC	Delaware
BET Production Services Inc.	New York
BET Productions II, Inc.	Delaware
BET Productions III, LLC	Delaware
BET Productions IV, LLC	Delaware
BET Publications, LLC	Delaware
BET Radio, L.L.C.	Delaware
BET Satellite Services, Inc.	Delaware
BET Services, Inc.	District of Columbia
BET Sheryl & Friends, LLC	Delaware

<u>Subsidiary Name</u>	<u>Place of Incorporation or Organization</u>
BET Television Productions, LLC	Delaware
BET The Way We Do It, LLC	Delaware
Black Entertainment Television LLC	District of Columbia

#### **CORPORATE**

Air Realty Corporation	Delaware
Air Realty LLC	Delaware
Haverstraw Insurance Corp Ltd.	Bermuda
Meadowland Parkway Associates	New Jersey
Netherlands Overseas Inc.	Delaware
Sammarnick Insurance Corporation	New York
Viacom Canadian Holdings Inc.	Canada (Ontario)
Viacom Global (Netherlands) B.V.	Netherlands
Viacom Global Limited	UK
Viacom Global Services Inc.	Delaware
Viacom Hearty Ha!Ha! LLC	Delaware
Viacom International Inc.	Delaware
Viacom International Inc. Political Action Committee Corporation	New York
Viacom International Services Inc.	Delaware
Viacom Netherlands Management LLC	Delaware
Viacom Overseas Holdings C.V.	Netherlands Antilles
Viacom Realty Corporation	Delaware
Viacom Receivables Funding I Corporation	Delaware
Viacom Receivables Funding V Corporation	Delaware
Viacom Subsidiary Management Corp.	Delaware
Viacom Telecommunications LLC	Delaware
Viacom Ventures Inc.	Delaware
Yellams LDC	Cayman Islands

#### **MTVN**

\$600/Hour Productions LLC	Delaware
24 <sup>th</sup> Floor Inc.	Canada (Ontario)
365Gay LLC	Delaware
37 <sup>th</sup> Floor Productions Inc.	Delaware
38 <sup>th</sup> Floor Productions Inc.	Delaware

<u>Subsidiary Name</u>	<u>Place of Incorporation or Organization</u>
Aardvark Productions, Inc.	Delaware
AfterL.com LLC	Delaware
Atom Entertainment, Inc.	Delaware
Awesomeness Inc.	Delaware
Babunga Inc.	Delaware
Bardwire Inc.	Delaware
Big Shows Inc.	Delaware
Bling Productions Inc.	Delaware
Box Italy LLC, The	Delaware
Box Worldwide LLC, The	Delaware
Caballero Acquisition Inc.	Delaware
Central Productions LLC	Delaware
CMT Productions Inc.	Delaware
College Publisher, Inc.	Delaware
Comedy Central Holding Kft.	Hungary
Comedy Central Magyarorsag Zrt.	Hungary
Comedy Partners	New York
Country Music Television, Inc.	Tennessee
Country Network Enterprises, Inc.	Delaware
Country Services Inc.	Delaware
country.com, Inc.	Delaware
Creative Mix Inc.	Delaware
Daza Productions Inc.	Delaware
DL Development LLC	Delaware
DMS Holdco Inc.	Delaware
Express Lane Productions Inc.	Delaware
Famous Orange Productions Inc.	Delaware
Game One SAS	France
Games Animation Inc.	Delaware
Games Productions Inc.	Delaware
GameTrailers Corp.	Delaware
Harmonix Marketing Inc.	Delaware
Harmonix Music Systems, Inc.	Delaware
Hey Yeah Productions Inc.	Delaware
Hudson Street Productions, Inc.	Delaware
Imagine Radio, Inc.	California
Invisions Holdings B.V.	Netherlands

<u>Subsidiary Name</u>	<u>Place of Incorporation or Organization</u>
MAD Production Trucking Company	Delaware
Milano Design Studio S.r.l.	Italy
Mischief New Media Inc.	New York
MoonMan Productions Inc.	Delaware
MTV Animation Inc.	Delaware
MTV Asia Development Company Inc.	Delaware
MTV Asia LDC	Cayman Islands
MTV Asia Ownership One LDC	Cayman Islands
MTV Asia Ownership Two LDC	Cayman Islands
MTV Asia Ventures (India) Pte. Limited	Mauritius
MTV Asia Ventures Co.	Cayman Islands
MTV Australia Inc.	Delaware
MTV Channel Espana S.L.	Spain
MTV DMS Inc.	Delaware
MTV Extra S.A.S.	France
MTV Hong Kong Limited	Hong Kong
MTV India Development Company Inc.	Delaware
MTV India LDC	Cayman Islands
MTV Japan Inc.	Japan
MTV Networks AB	Sweden
MTV Networks Africa (Pty) Limited	South Africa
MTV Networks Argentina LLC	Delaware
MTV Networks Argentina S.R.L.	Argentina
MTV Networks Australia Pty Limited	Australia
MTV Networks B.V.	Netherlands
MTV Networks Belgium BvbA	Belgium
MTV Networks Company	Delaware
MTV Networks de Mexico S. de R.L. de C.V.	Mexico
MTV Networks Enterprises Inc.	Delaware
MTV Networks Europe	Delaware
MTV Networks Europe Inc.	Delaware
MTV Networks Germany GmbH	Germany
MTV Networks Global Services Inc.	Delaware
MTV Networks Holdings SARL	France
MTV Networks Hungary Ltd.	Hungary
MTV Networks Japan K.K.	Japan

<u>Subsidiary Name</u>	<u>Place of Incorporation or Organization</u>
MTV Networks Latin America Inc.	Delaware
MTV Networks Ltda	Portugal
MTV Networks Music Productions Inc.	Delaware
MTV Networks New Zealand Ltd.	New Zealand
MTV Networks Nigeria Ltd.	Nigeria
MTV Networks On Campus Inc.	Delaware
MTV Networks Polska B.V.	Netherlands
MTV Networks Polska Limited	UK
MTV Networks Polska Sp.zoo	Poland
MTV Networks Polska V.O.F.	Netherlands
MTV Networks Productions B.V.	Netherlands
MTV Networks Sarl	France
MTV Networks South Africa Inc.	Delaware
MTV Networks Wallonia SPRL	Belgium
MTV Ownership (Portugal), LDA	Portugal
MTV Russia Holdings Inc.	Delaware
MTV Songs Inc.	Delaware
MTV Taiwan LDC	Cayman Islands
MTVBVI Inc.	Delaware
MTVi Group, Inc., The	Delaware
MTVi Group, L.P., The	Delaware
MTVN Direct Inc.	Delaware
MTVN Online Inc.	Delaware
MTVN Online Partner I Inc.	Delaware
MTVN Online Partner I LLC	Delaware
Music by Nickelodeon Inc.	Delaware
Music by Video Inc.	Delaware
N.V. Broadcasting (Canada) Inc.	Canada (Federal)
NeoPets Asia Pte. Ltd.	Singapore
NeoPets Prepaid Cards Inc.	Virginia
NeoPets, Inc.	Delaware
Network Enterprises, Inc.	Tennessee
New 38th Floor Productions Inc.	Delaware
New Country Services Inc.	Delaware
New Creative Mix Inc.	Delaware
New Games Productions Inc.	Delaware

<u>Subsidiary Name</u>	<u>Place of Incorporation or Organization</u>
New International Mix Inc.	Delaware
New Nickelodeon Animation Studios Inc.	Delaware
New Not Before 10AM Productions Inc.	Delaware
New Open Door Productions Inc.	Delaware
New Pop Culture Productions Inc.	Delaware
New Remote Productions Inc.	Delaware
Nick at Nite's TV Land Retromercials Inc.	Delaware
Nickelodeon Animation Studios Inc.	Delaware
Nickelodeon Asia Holdings Pte Ltd	Singapore
Nickelodeon Australia Inc.	Delaware
Nickelodeon Brasil Inc.	Delaware
Nickelodeon Direct Inc.	Delaware
Nickelodeon France S.A.S.	France
Nickelodeon Global Network Ventures Inc.	Delaware
Nickelodeon Huggings U.K. Limited	UK
Nickelodeon India Pvt Ltd	India
Nickelodeon International Limited	UK
Nickelodeon Magazines Inc.	Delaware
Nickelodeon Management Holdings Pte Ltd	Singapore
Nickelodeon Mauritius Limited	Mauritius
Nickelodeon Movies Inc.	Delaware
Nickelodeon Notes Inc.	Delaware
Nickelodeon Online Inc.	Delaware
Nickelodeon U.K. Limited	UK
Nickelodeon UK Holdings LLC	Delaware
Noggin LLC	Delaware
Not Before 10AM Productions Inc.	Delaware
NP Domains, Inc.	Delaware
NV International, Inc.	Georgia
O & W Corporation	Tennessee
On Second Thought Productions Inc.	Canada (B.C.)
On-Site Productions Inc.	Delaware
OOO Social Project	Russia
Open Door Productions Inc.	Delaware
Outdoor Entertainment, Inc.	Tennessee
Paramount Comedy Channel Espana S.L.	Spain

<u>Subsidiary Name</u>	<u>Place of Incorporation or Organization</u>
Peanut Worm Productions Inc.	Delaware
Peppercorn Productions, Inc.	Tennessee
Pop Channel Productions Inc.	Delaware
Pop Culture Productions Inc.	Delaware
Pop Toons Inc.	Delaware
PT MTV Indonesia	Indonesia
RateMyProfessors.com International LLC	Delaware
RateMyProfessors.com LLC	Delaware
Remote Productions Inc.	Delaware
S Media Vision AG	Switzerland
See Yourself Productions Inc.	Delaware
Servicios Para Empresas de Entretenimiento S. de R.L. de C.V.	Mexico
Shockwave.com International, Inc.	Delaware
Shockwave.com SarL	Switzerland
Social Project, Inc.	Delaware
SonicNet LLC	Delaware
South Park Digital Studios LLC	Delaware
Speed Freaks Investco LLC	Louisiana
Speed Freaks Prodco LLC	Louisiana
Spike Cable Networks Inc.	Delaware
Spike Digital Entertainment Inc.	Delaware
Study Hall Films Inc.	Delaware
Tagworld GmbH	Germany
The Box Holland B.V.	Netherlands
The Music Source Inc.	Philippines
The Paramount UK Partnership	UK
The Staying Alive Foundation Inc.	New York
Thunder, Inc.	Delaware
TNN Classic Sessions, Inc.	Delaware
TNN Productions, Inc.	Delaware
Tunes by Nickelodeon Inc.	Delaware
TV Land Canada Holding Inc.	Delaware
Uptown Productions Inc.	Delaware
URGE PrePaid Cards Inc.	Virginia
VH-1 Save the Music Foundation	New York
Viacom (Deutschland) Beteiligungen GmbH	Germany

<b>Subsidiary Name</b>	<b>Place of Incorporation or Organization</b>
Viacom Asia Inc.	Delaware
Viacom Brand Solutions Japan K.K.	Japan
Viacom Brand Solutions Korea Company Limited	Korea
Viacom Brand Solutions Limited	UK
Viacom Camden Lock Inc.	Delaware
Viacom Domains Limited	Canada (B.C.)
Viacom Holdings Brasil Ltda	Brazil
Viacom Holdings Germany LLC	Delaware
Viacom Investments B.V.	Netherlands
Viacom Networks Brasil Ltda	Brazil
Viacom Networks Europe Inc.	Delaware
Viacom Networks Italia Limited	UK
Viacom Notes Inc.	Delaware
Viacom Songs Inc.	Delaware
Viacom Tunes Inc.	Delaware
Viacom Ventures B.V.	Netherlands
VIVA-connect GmbH	Germany
VIVA Media Enterprises GmbH	Germany
VIVA Media GmbH	Germany
VIVA Music Fernsehen GmbH & Co. KG	Germany
VIVA Music Verwaltungs GmbH	Germany
VIVA Production SRL	Italy
VIVA Radio Beteiligungs GmbH	Germany
VIVA TV Productions Sp.z.o.o.	Poland
World Sports Enterprises	Tennessee
Wuthering Heights, CA Productions Inc.	Delaware
XFire, Inc.	Delaware
Ya Lian Online Internet Technology Co Ltd	China
Z+ Broadcasting Company Zrt	Hungary
Z+ Holding Asset Management Ltd.	Hungary
<b>Paramount</b>	
5555 Communications Inc.	Delaware
Acoustic Music, Inc.	Tennessee
Adoy LLC	Delaware
After School Productions Inc.	Delaware

<u>Subsidiary Name</u>	<u>Place of Incorporation or Organization</u>
All About Productions LLC	Delaware
Animated Productions Inc.	Delaware
Artcraft Productions Inc.	Delaware
Belhaven Limited	Bahamas
Benjamin Button Productions LLC	Louisiana
Beta Theatres Inc.	Delaware
Biscondi Sdn Bld	Malaysia
Blackout Productions Inc.	Delaware
Blue Sea Productions, Inc.	Delaware
Blue/White Production, Inc.	Delaware
BN Productions Inc.	Delaware
Bronson Gate Film Management GmbH	Germany
Capital Equipment Leasing Limited	UK
CIC Home Video GmbH	Switzerland
CIC Video (Pty) Ltd	South Africa
Cinematic Arts B.V.	Netherlands
Cloverleaf Productions Inc.	Delaware
Columbus Circle Films LLC	Delaware
Cradle of Life Productions LLC	Delaware
CVV (Japan) B.V.	Netherlands
Dallington TV Limited	UK
Danielle Productions LLC	Delaware
Delaware Blue Steel Inc.	Delaware
DIGICO Inc.	Delaware
Direct Court Productions, Inc.	Delaware
DreamWorks Distribution Canada Company	Canada (Nova Scotia)
DreamWorks Music Publishing Nashville L.L.C.	Delaware
DTE Films LLC	Delaware
DW (Netherlands) B.V.	Netherlands
DW Distribution L.L.C.	Delaware
DW Dramatic Television L.L.C.	Delaware
DW Films L.L.C.	Delaware
DW Finance L.L.C.	Delaware
DW Holdco LLC	Delaware
DW International Distribution L.L.C.	Delaware
DW International Productions L.L.C.	Delaware

<b>Subsidiary Name</b>	<b>Place of Incorporation or Organization</b>
DW Internet L.L.C.	Delaware
DW Music Publishing L.L.C.	Delaware
DW One Corp.	Delaware
DW Productions UK Limited	UK
DW Project Development L.L.C.	Delaware
DW SKG TV L.L.C.	Delaware
DW Studios Productions L.L.C.	Delaware
DW Studios L.L.C.	Delaware
DW Television Animation L.L.C.	Delaware
DW Television L.L.C.	Delaware
DW TV Finance I L.L.C.	Delaware
DW Two Corp.	Delaware
Eighth Century Corporation	Delaware
Emily Productions LLC	Delaware
Failure to Launch Productions LLC	Louisiana
Famous Players International B.V.	Netherlands
Festival Inc.	Delaware
Filmcraft Productions Inc.	Delaware
Films Paramount S.A.	France
Futa B.V.	Netherlands
Future General Corporation	Delaware
GC Productions Inc.	Delaware
Gladiator Productions L.L.C.	Delaware
Global Film Distributors B.V.	Netherlands
Grace Productions LLC	Delaware
Gramps Company Inc., The	Delaware
Hard Caliche LLC	New Mexico
High Command Productions Limited	UK
House of Yes Productions Inc.	Delaware
International Overseas Film Services, Inc.	Delaware
International Overseas Productions, Inc.	California
Joseph Productions Inc.	Delaware
Ladies Man Productions USA Inc.	Delaware
Last Holiday Productions LLC	Louisiana
Lisarb Holding B.V.	Netherlands
Little Boston Company Inc.	Delaware

<u>Subsidiary Name</u>	<u>Place of Incorporation or Organization</u>
Long Road Productions	Illinois
Magical Motion Pictures Inc.	Delaware
Magicam, Inc.	Delaware
Marathon Holdings Inc.	Delaware
Melange Pictures LLC	Delaware
Michaela Productions Inc.	Delaware
MTV S.A. LDC	Cayman Islands
Neutronium Inc.	Delaware
Newdon Productions	Illinois
Night Falls Productions Inc.	Delaware
NM Classics Inc.	Delaware
Paramount British Pictures Limited	UK
Paramount Canadian Productions, Inc.	Delaware
Paramount Digital Entertainment Inc.	Delaware
Paramount Films of Australia Inc.	Delaware
Paramount Films of China, Inc.	Delaware
Paramount Films of Egypt, Inc.	Delaware
Paramount Films of India, Ltd.	Delaware
Paramount Films of Italy, Inc.	New York
Paramount Films of Lebanon, Inc.	New York
Paramount Films of Pakistan, Ltd.	New York
Paramount Films of Southeast Asia Inc.	Delaware
Paramount Home Entertainment (Australasia) Pty. Limited	Australia
Paramount Home Entertainment (Brazil) Limitada	Brazil
Paramount Home Entertainment (Denmark) I/S	Denmark
Paramount Home Entertainment (Finland) Oy	Finland
Paramount Home Entertainment (France) S.A.S.	France
Paramount Home Entertainment (Germany) GmbH	Germany
Paramount Home Entertainment (Italy) SRL	Italy
Paramount Home Entertainment (Mexico) S. de R.L. de C.V.	Mexico
Paramount Home Entertainment (Mexico) Services S. de R.L. de C.V.	Mexico
Paramount Home Entertainment (New Zealand) Limited	New Zealand
Paramount Home Entertainment (Norway) ANS	Norway
Paramount Home Entertainment (Sweden) AB	Sweden
Paramount Home Entertainment (UK)	UK
Paramount Home Entertainment B.V.	Netherlands

<u>Subsidiary Name</u>	<u>Place of Incorporation or Organization</u>
Paramount Home Entertainment Distribution Inc.	Delaware
Paramount Home Entertainment Inc.	Delaware
Paramount Home Entertainment International (Holdings) B.V.	Netherlands
Paramount Home Entertainment International B.V.	Netherlands
Paramount Home Entertainment International Limited	UK
Paramount Images Inc.	Delaware
Paramount International (Netherlands) B.V.	Netherlands
Paramount Japan K.K.	Japan
Paramount LAPTIV Inc.	Delaware
Paramount Latin America SRL	Argentina
Paramount Licensing Inc.	Delaware
Paramount NMOC LLC	Delaware
Paramount Overseas Productions, Inc.	Delaware
Paramount Pictures Australia Pty.	Australia
Paramount Pictures Brasil Distribuidora de Filmes Ltda	Brazil
Paramount Pictures Corporation	Delaware
Paramount Pictures Corporation (Canada) Inc.	Canada (Ontario)
Paramount Pictures Entertainment Canada Inc.	Canada (Ontario)
Paramount Pictures France (Productions) SAS	France
Paramount Pictures France Sarl	France
Paramount Pictures Germany GmbH	Germany
Paramount Pictures International Limited	UK
Paramount Pictures Louisiana Production Investments II LLC	Louisiana
Paramount Pictures Louisiana Production Investments III LLC	Louisiana
Paramount Pictures Louisiana Production Investments LLC	Louisiana
Paramount Pictures Mexico S. de R.L.	Mexico
Paramount Pictures NZ	New Zealand
Paramount Pictures Productions Australia Pty Limited	Australia
Paramount Pictures Services UK	UK
Paramount Pictures UK	UK
Paramount Production Support Inc.	Delaware
Paramount Productions Service Corporation	Delaware
Paramount Spain S.L.	Spain
Paramount Worldwide Productions Inc.	Delaware
Park Court Productions, Inc.	Delaware
Pet II Productions Inc.	Delaware

<u>Subsidiary Name</u>	<u>Place of Incorporation or Organization</u>
PPC Film Management GmbH	Germany
PPG Holding 5 B.V.	Netherlands
PPG Holding 95 B.V.	Netherlands
Premiere House, Inc.	Delaware
Prime Directive Productions Inc.	Delaware
PT Productions Inc.	Delaware
Screenlife Licensing, LLC	Nevada
Screenlife, LLC	Washington
SFI Song Company	Delaware
SKG Louisiana L.L.C.	Louisiana
SKG Music L.L.C.	Delaware
SKG Music Nashville Inc.	Delaware
SKG Music Publishing L.L.C.	Delaware
SKG Productions L.L.C.	Louisiana
SKG Studios Canada Inc.	Canada
Spelling Films Inc.	Delaware
Spelling Films Music Inc.	Delaware
Spelling Pictures Inc.	Delaware
Stepdude Productions LLC	Louisiana
Superstar Productions USA Inc.	Delaware
Talent Court Productions, Inc.	Delaware
Thinner Productions, Inc.	Delaware
Timeline Films Inc.	Canada (Ontario)
Untitled Productions II LLC	Delaware
Viacom Animation of Korea Inc.	Delaware
Viacom Canadian Productions Holdings Inc.	Canada (Ontario)
Viacom Limited	New Zealand
Wilshire Court Productions LLC	Delaware
Worldwide Productions, Inc.	Delaware
Zarina 99 Vermögensverwaltungsgesellschaft GmbH	Germany
Zoo Films LLC	Delaware

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Forms S-8 (No. 333-131040, No. 333-130905 and No. 333-130881) and Form S-3 (No. 333-139086) of Viacom Inc. of our report dated February 11, 2009 relating to the consolidated financial statements, financial statement schedule and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP  
New York, New York  
February 11, 2009

**VIACOM INC.**

## Power of Attorney

KNOW ALL MEN BY THESE PRESENTS that the undersigned director of VIACOM INC., a Delaware corporation (the "Company"), hereby constitutes and appoints each of Michael D. Fricklas and Keyes Hill-Edgar, severally and not jointly, to be his true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2008 (and any amendments thereto); granting unto said attorney-in-fact and agent, full power and authority to do and perform each and every act and thing requisite and necessary to be done, as fully for all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agent, or his substitute or substitutes, shall lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, I have hereunto signed my name this 12th day of February, 2009.

/s/ GEORGE S. ABRAMS

George S. Abrams

**VIACOM INC.**

Power of Attorney

KNOW ALL MEN BY THESE PRESENTS that the undersigned director of VIACOM INC., a Delaware corporation (the "Company"), hereby constitutes and appoints each of Michael D. Fricklas and Keyes Hill-Edgar, severally and not jointly, to be his true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2008 (and any amendments thereto); granting unto said attorney-in-fact and agent, full power and authority to do and perform each and every act and thing requisite and necessary to be done, as fully for all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agent, or his substitute or substitutes, shall lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, I have hereunto signed my name this 12th day of February, 2009.

/s/ ALAN C. GREENBERG

Alan C. Greenberg

**VIACOM INC.**

Power of Attorney

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IN WITNESS WHEREOF, I have hereunto signed my name this 12th day of February, 2009.

/s/ ROBERT K. KRAFT

Robert K. Kraft

**VIACOM INC.**

Power of Attorney

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IN WITNESS WHEREOF, I have hereunto signed my name this 12th day of February, 2009.

/s/ BLYTHE J. MCGARVIE

Blythe J. McGarvie

**VIACOM INC.**

Power of Attorney

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IN WITNESS WHEREOF, I have hereunto signed my name this 12th day of February, 2009.

/s/ CHARLES E. PHILLIPS, JR.

Charles E. Phillips, Jr.

**VIACOM INC.**

Power of Attorney

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IN WITNESS WHEREOF, I have hereunto signed my name this 12th day of February, 2009.

/s/ SHARI REDSTONE

Shari Redstone

**VIACOM INC.**

Power of Attorney

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IN WITNESS WHEREOF, I have hereunto signed my name this 12th day of February, 2009.

/s/ SUMNER M. REDSTONE

Sumner M. Redstone

**VIACOM INC.**

Power of Attorney

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IN WITNESS WHEREOF, I have hereunto signed my name this 12th day of February, 2009.

/s/ FREDERIC V. SALERNO

Frederic V. Salerno

**VIACOM INC.**

Power of Attorney

KNOW ALL MEN BY THESE PRESENTS that the undersigned director of VIACOM INC., a Delaware corporation (the "Company"), hereby constitutes and appoints each of Michael D. Fricklas and Keyes Hill-Edgar, severally and not jointly, to be his true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2008 (and any amendments thereto); granting unto said attorney-in-fact and agent, full power and authority to do and perform each and every act and thing requisite and necessary to be done, as fully for all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agent, or his substitute or substitutes, shall lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, I have hereunto signed my name this 12th day of February, 2009.

/s/ WILLIAM SCHWARTZ

William Schwartz

CERTIFICATION

I, Philippe P. Dauman, certify that:

1. I have reviewed this Annual Report on Form 10-K of Viacom Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 12, 2009

/s/ PHILIPPE P. DAUMAN

\_\_\_\_\_  
President and Chief Executive Officer

CERTIFICATION

I, Thomas E. Dooley, certify that:

1. I have reviewed this Annual Report on Form 10-K of Viacom Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 12, 2009

/s/ THOMAS E. DOOLEY

Senior Executive Vice President, Chief Administrative Officer  
and Chief Financial Officer

**Certification Pursuant to 18 U.S.C. Section 1350,  
as adopted pursuant to  
Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Annual Report of Viacom Inc. (the "Company") on Form 10-K for the fiscal year ending December 31, 2008 as filed with the Securities and Exchange Commission (the "Report"), I, Philippe P. Dauman, President and Chief Executive Officer of the Company, certify that to my knowledge:

1. the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ PHILIPPE P. DAUMAN

\_\_\_\_\_  
Philippe P. Dauman

February 12, 2009

This written statement is being furnished to the Securities and Exchange Commission as an exhibit to the Report. A signed original of this written statement required by Section 906 has been provided to Viacom Inc. and will be retained by Viacom Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

**Certification Pursuant to 18 U.S.C. Section 1350,  
as adopted pursuant to  
Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Annual Report of Viacom Inc. (the "Company") on Form 10-K for the fiscal year ending December 31, 2008 as filed with the Securities and Exchange Commission (the "Report"), I, Thomas E. Dooley, Senior Executive Vice President, Chief Administrative Officer and Chief Financial Officer of the Company, certify that to my knowledge:

1. the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ THOMAS E. DOOLEY

\_\_\_\_\_  
Thomas E. Dooley  
February 12, 2009

This written statement is being furnished to the Securities and Exchange Commission as an exhibit to the Report. A signed original of this written statement required by Section 906 has been provided to Viacom Inc. and will be retained by Viacom Inc. and furnished to the Securities and Exchange Commission or its staff upon request.