

CBS CORP  
Form 10-Q  
May 01, 2012

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

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**FORM 10-Q**

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

**For the quarterly period ended March 31, 2012**

**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 001-09553**

**CBS CORPORATION**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of  
incorporation or organization)

**04-2949533**

(I.R.S. Employer  
Identification No.)

**51 W. 52<sup>nd</sup> Street, New York, New York**

(Address of principal executive offices)

**10019**

(Zip Code)

**(212) 975-4321**

Registrant's telephone number, including area code

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 whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

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 the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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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 Exchange Act). Yes  No

Number of shares of common stock outstanding at April 30, 2012:

Class A Common Stock, par value \$.001 per share 43,444,102

Class B Common Stock, par value \$.001 per share 604,697,329

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Table of Contents**PART I FINANCIAL INFORMATION****Item 1. Financial Statements.****CBS CORPORATION AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF OPERATIONS**

(Unaudited; in millions, except per share amounts)

	<b>Three Months Ended March 31,</b>	
	<b>2012</b>	<b>2011</b>
Revenues	\$ 3,924	\$ 3,510
Expenses:		
Operating	2,461	2,276
Selling, general and administrative	679	658
Impairment charges (Note 3)	11	
Depreciation and amortization	131	139
Total expenses	3,282	3,073
Operating income	642	437
Interest expense	(110)	(110)
Interest income	2	2
Gain on early extinguishment of debt (Note 6)	25	
Other items, net	12	9
Earnings before income taxes and equity in loss of investee companies	571	338
Provision for income taxes	(203)	(122)
Equity in loss of investee companies, net of tax	(5)	(14)
Net earnings	\$ 363	\$ 202
<b>Basic net earnings per common share</b>	<b>\$ ..56</b>	<b>\$ ..30</b>
<b>Diluted net earnings per common share</b>	<b>\$ ..54</b>	<b>\$ ..29</b>
<b>Weighted average number of common shares outstanding:</b>		
Basic	650	674
Diluted	667	693
Dividends per common share	\$ ..10	\$ ..05

See notes to consolidated financial statements.



[Table of Contents](#)**CBS CORPORATION AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**

(Unaudited; in millions)

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2012</b>	<b>2011</b>
<b>Net earnings</b>	\$ 363	\$ 202
<b>Other comprehensive income, net of tax:</b>		
Cumulative translation adjustments	10	13
Amortization of net actuarial loss and prior service cost	8	7
Unrealized gain on securities	1	
<b>Other comprehensive income, net of tax</b>	19	20
<b>Comprehensive income</b>	\$ 382	\$ 222

See notes to consolidated financial statements.

Table of Contents**CBS CORPORATION AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS**

(Unaudited; in millions, except per share amounts)

	At March 31, 2012	At December 31, 2011
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 794	\$ 660
Receivables, less allowances of \$112 (2012) and \$114 (2011)	3,332	3,254
Programming and other inventory (Note 4)	574	735
Deferred income tax assets, net	324	319
Prepaid income taxes		10
Prepaid expenses	299	213
Other current assets	449	343
Current assets of discontinued operations	11	9
<b>Total current assets</b>	<b>5,783</b>	<b>5,543</b>
Property and equipment:		
Land	330	329
Buildings	712	714
Capital leases	201	200
Advertising structures	2,106	2,069
Equipment and other	2,023	2,022
	5,372	5,334
Less accumulated depreciation and amortization	2,914	2,824
<b>Net property and equipment</b>	<b>2,458</b>	<b>2,510</b>
Programming and other inventory (Note 4)	1,425	1,496
Goodwill	8,630	8,620
Intangible assets (Note 3)	6,555	6,526
Other assets	1,474	1,434
Assets of discontinued operations	68	68
<b>Total Assets</b>	<b>\$ 26,393</b>	<b>\$ 26,197</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current Liabilities:		
Accounts payable	\$ 339	\$ 410
Accrued compensation	227	403
Participants' share and royalties payable	892	938
Program rights	784	577
Deferred revenue	262	253
Income taxes payable	169	
Current portion of long-term debt (Note 6)	22	24
Accrued expenses and other current liabilities	1,443	1,316
Current liabilities of discontinued operations	12	12
<b>Total current liabilities</b>	<b>4,150</b>	<b>3,933</b>
Long-term debt (Note 6)	5,902	5,958
Pension and postretirement benefit obligations	1,832	1,839

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Deferred income tax liabilities, net	993	1,025
Other liabilities	3,330	3,351
Liabilities of discontinued operations	182	183
Commitments and contingencies (Note 10)		
<b>Stockholders' Equity:</b>		
Class A Common Stock, par value \$.001 per share; 375 shares authorized; 44 (2012 and 2011) shares issued		
Class B Common Stock, par value \$.001 per share; 5,000 shares authorized; 776 (2012) and 769 (2011) shares issued		
	1	1
Additional paid-in capital	43,376	43,395
Accumulated deficit	(27,980)	(28,343)
Accumulated other comprehensive loss	(420)	(439)
	14,977	14,614
Less treasury stock, at cost; 171 (2012) and 162 (2011) Class B Shares	4,973	4,706
<b>Total Stockholders' Equity</b>	<b>10,004</b>	<b>9,908</b>
 Total Liabilities and Stockholders' Equity	 \$ 26,393	 \$ 26,197

See notes to consolidated financial statements.



Table of Contents**CBS CORPORATION AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Unaudited; in millions)

	<b>Three Months Ended March 31,</b>	
	<b>2012</b>	<b>2011</b>
<b>Operating Activities:</b>		
Net earnings	\$ 363	\$ 202
Adjustments to reconcile net earnings to net cash flow provided by operating activities:		
Depreciation and amortization	131	139
Stock-based compensation	42	34
Impairment charges	11	
Gain on early extinguishment of debt	(25)	
Equity in loss of investee companies, net of tax and distributions	6	16
Change in assets and liabilities, net of effects of acquisitions	118	503
<b>Net cash flow provided by operating activities</b>	<b>646</b>	<b>894</b>
<b>Investing Activities:</b>		
Acquisitions, net of cash acquired	(69)	(53)
Capital expenditures	(39)	(41)
Investments in and advances to investee companies	(34)	(26)
Proceeds from dispositions		13
Other investing activities	2	4
<b>Net cash flow used for investing activities</b>	<b>(140)</b>	<b>(103)</b>
<b>Financing Activities:</b>		
Proceeds from issuance of notes	690	
Repayment of notes	(700)	(2)
Payment of capital lease obligations	(5)	(4)
Payment of contingent consideration	(33)	
Dividends	(69)	(37)
Purchase of Company common stock	(260)	(250)
Payment of payroll taxes in lieu of issuing shares for stock-based compensation	(87)	(46)
Proceeds from exercise of stock options	36	10
Excess tax benefit from stock-based compensation	56	35
Other financing activities		(5)
<b>Net cash flow used for financing activities</b>	<b>(372)</b>	<b>(299)</b>
Net increase in cash and cash equivalents	134	492
Cash and cash equivalents at beginning of period	660	480
<b>Cash and cash equivalents at end of period</b>	<b>\$ 794</b>	<b>\$ 972</b>
<b>Supplemental disclosure of cash flow information</b>		
Cash paid for interest	\$ 103	\$ 104
Cash paid for income taxes	\$ 21	\$ 19

See notes to consolidated financial statements.

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**CBS CORPORATION AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(Tabular dollars in millions, except per share amounts)**

**1) BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Description of Business* CBS Corporation (together with its consolidated subsidiaries unless the context otherwise requires, the "Company" or "CBS Corp.") is comprised of the following segments: Entertainment (CBS Television, comprised of the CBS Television Network, CBS Television Studios, CBS Studios International and CBS Television Distribution; CBS Films and CBS Interactive), Cable Networks (Showtime Networks, CBS Sports Network and Smithsonian Networks), Publishing (Simon & Schuster), Local Broadcasting (CBS Television Stations and CBS Radio) and Outdoor (CBS Outdoor, comprised of Outdoor Americas and Outdoor Europe).

*Basis of Presentation* The accompanying unaudited consolidated financial statements of the Company have been prepared pursuant to the rules of the Securities and Exchange Commission. These financial statements should be read in conjunction with the more detailed financial statements and notes thereto, included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2011.

In the opinion of management, the accompanying unaudited financial statements reflect all adjustments, consisting of only normal and recurring adjustments, necessary for a fair statement of the financial position, results of operations and cash flows of the Company for the periods presented. Certain previously reported amounts have been reclassified to conform to the current presentation.

*Use of Estimates* The preparation of the Company's financial statements in conformity with accounting principles generally accepted in the United States ("GAAP") requires management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

*Net Earnings (Loss) per Common Share* Basic earnings (loss) per share ("EPS") is based upon net earnings (loss) divided by the weighted average number of common shares outstanding during the period. Diluted EPS reflects the effect of the assumed exercise of stock options and vesting of restricted stock units ("RSUs") and market-based performance share units ("PSUs") only in the periods in which such effect would have been dilutive. For the three months ended March 31, 2012 and 2011, stock options to purchase 12 million and 26 million shares of Class B Common Stock, respectively, were outstanding but excluded from the calculation of diluted EPS because their inclusion would have been anti-dilutive.

Table of Contents**CBS CORPORATION AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Tabular dollars in millions, except per share amounts)**

The table below presents a reconciliation of weighted average shares used in the calculation of basic and diluted EPS.

(in millions)	Three Months Ended March 31,	
	2012	2011
Weighted average shares for basic EPS	650	674
Dilutive effect of shares issuable under stock-based compensation plans	17	19
Weighted average shares for diluted EPS	667	693

*Collaborative Arrangements* Collaborative arrangements primarily consist of joint efforts with third parties to produce and distribute programming such as television series and live sporting events, including the 14-year agreement between the Company and Turner Broadcasting System, Inc. to telecast the *NCAA Division I Men's Basketball Championship* ("NCAA Tournament"). In connection with this agreement for the NCAA Tournament, advertisements aired on CBS Television Network are recorded as revenues and the Company's share of the program rights fees and other operating costs are recorded as operating expenses.

For episodic television programming, co-production costs are initially capitalized as programming inventory and amortized over the television series' estimated economic life. In such arrangements where the Company has distribution rights, all proceeds generated from such distribution are recorded as revenues and any participation profits due to third party collaborators are recorded as operating expenses. In co-production arrangements where third party collaborators have distribution rights, the Company's net participating profits are recorded as revenues.

Amounts attributable to transactions arising from collaborative arrangements between participants were not material to the Company's consolidated financial statements for all periods presented.

*Other Liabilities* Other liabilities consist primarily of the noncurrent portion of residual liabilities of previously disposed businesses, participants' share and royalties payable, program rights, deferred compensation and other employee benefit accruals.

*Additional Paid-In Capital* For the three months ended March 31, 2012 and 2011, the Company recorded dividends of \$66 million and \$34 million, respectively, as a reduction to additional paid-in capital as the Company had an accumulated deficit balance.

**Adoption of New Accounting Standards***Fair Value Measurements*

During the first quarter of 2012, the Company adopted the Financial Accounting Standards Board's ("FASB") amended guidance which clarifies the FASB's intent about the application of existing fair value measurement requirements and changes certain principles and requirements for measuring fair value and for disclosing information about fair value measurements. The adoption of this guidance did not have a material effect on the Company's consolidated financial statements.

Table of Contents**CBS CORPORATION AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Tabular dollars in millions, except per share amounts)****Recent Pronouncements***Disclosures about Offsetting Assets and Liabilities*

In December 2011, the FASB issued guidance which requires disclosure of both gross and net information about financial instruments and derivative instruments eligible for offset in the balance sheet as well as financial instruments and derivative instruments subject to a master netting arrangement regardless of whether they are offset. The adoption of this guidance, which is effective for reporting periods beginning January 1, 2013, is not expected to have a material effect on the Company's consolidated financial statements.

**2) STOCK-BASED COMPENSATION**

The following table summarizes the Company's stock-based compensation expense for the three months ended March 31, 2012 and 2011.

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2012</b>	<b>2011</b>
RSUs and PSUs	\$ 30	\$ 25
Stock options and equivalents	12	9
Stock-based compensation expense, before income taxes	42	34
Related tax benefit	(16)	(13)
Stock-based compensation expense, net of tax benefit	\$ 26	\$ 21

During the three months ended March 31, 2012, the Company granted 4 million RSUs with a weighted average per unit grant date fair value of \$29.28. RSU grants during the first quarter of 2012 generally vest over a one-to-four-year service period. Certain RSU awards are also subject to satisfying performance conditions. The number of shares that will be issued upon vesting of RSU awards with performance conditions can range from 0% to 120% of the target award, based on the achievement of established operating performance goals. During the three months ended March 31, 2012, the Company also granted 3 million stock options with a weighted average exercise price of \$29.44. Stock option grants during the first quarter of 2012 generally vest over a three-to-four-year service period and expire eight years from the date of grant.

Total unrecognized compensation cost related to non-vested RSUs at March 31, 2012 was \$230 million, which is expected to be expensed over a weighted average period of 2.7 years. Total unrecognized compensation cost related to non-vested stock option awards at March 31, 2012 was \$87 million, which is expected to be expensed over a weighted average period of 2.8 years.

Table of Contents**CBS CORPORATION AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Tabular dollars in millions, except per share amounts)****3) GOODWILL AND OTHER INTANGIBLE ASSETS**

The Company's intangible assets were as follows:

<b>At March 31, 2012</b>	<b>Gross</b>	<b>Accumulated Amortization</b>	<b>Net</b>
<b>Intangible assets subject to amortization:</b>			
Leasehold agreements	\$ 895	\$ (612)	\$ 283
Franchise agreements	489	(301)	188
Other intangible assets	363	(243)	120
<b>Total intangible assets subject to amortization</b>	<b>1,747</b>	<b>(1,156)</b>	<b>591</b>
FCC licenses	5,795		5,795
Trade names	169		169
<b>Total intangible assets</b>	<b>\$ 7,711</b>	<b>\$ (1,156)</b>	<b>\$ 6,555</b>

<b>At December 31, 2011</b>	<b>Gross</b>	<b>Accumulated Amortization</b>	<b>Net</b>
<b>Intangible assets subject to amortization:</b>			
Leasehold agreements	\$ 882	\$ (590)	\$ 292
Franchise agreements	487	(292)	195
Other intangible assets	376	(244)	132
<b>Total intangible assets subject to amortization</b>	<b>1,745</b>	<b>(1,126)</b>	<b>619</b>
FCC licenses	5,738		5,738
Trade names	169		169
<b>Total intangible assets</b>	<b>\$ 7,652</b>	<b>\$ (1,126)</b>	<b>\$ 6,526</b>

Amortization expense was \$27 million and \$31 million for the three months ended March 31, 2012 and 2011, respectively. The Company expects its aggregate annual amortization expense for existing intangible assets subject to amortization for each of the years, 2012 through 2016, to be as follows:

	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
Amortization expense	\$ 102	\$ 89	\$ 79	\$ 69	\$ 61

In April 2012, the Company signed a definitive agreement for the sale of its five owned radio stations in West Palm Beach for \$50 million. During the first quarter of 2012, in connection with the sale, the Company recorded a pre-tax noncash impairment charge of \$11 million to reduce the carrying value of the allocated goodwill.



Table of Contents**CBS CORPORATION AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Tabular dollars in millions, except per share amounts)****4) PROGRAMMING AND OTHER INVENTORY**

	At March 31, 2012	At December 31, 2011
Program rights	\$ 1,120	\$ 1,333
Television programming:		
Released (including acquired libraries)	614	628
In process and other	162	170
Theatrical programming:		
Released	19	15
In process and other	21	25
Publishing, primarily finished goods	62	59
Other	1	1
Total programming and other inventory	1,999	2,231
Less current portion	574	735
Total noncurrent programming and other inventory	\$ 1,425	\$ 1,496

**5) RELATED PARTIES**

*National Amusements, Inc.* National Amusements, Inc. ("NAI") is the controlling stockholder of CBS Corp. and Viacom Inc. Mr. Sumner M. Redstone, the controlling stockholder, chairman of the board of directors and chief executive officer of NAI, is the Executive Chairman of the Board of Directors and founder of both CBS Corp. and Viacom Inc. In addition, Ms. Shari Redstone, Mr. Sumner M. Redstone's daughter, is the president and a director of NAI and the vice chair of the Board of Directors of both CBS Corp. and Viacom Inc. Mr. David R. Andelman is a director of CBS Corp. and serves as a director of NAI. Mr. Frederic V. Salerno is a director of CBS Corp. and serves as a director of Viacom Inc. At March 31, 2012, NAI directly or indirectly owned approximately 79% of CBS Corp.'s voting Class A Common Stock, and owned approximately 6% of CBS Corp.'s Class A Common Stock and non-voting Class B Common Stock on a combined basis.

*Viacom Inc.* As part of its normal course of business, the Company enters into transactions with Viacom Inc. and its subsidiaries. Through its Entertainment segment, the Company licenses its television products and leases its production facilities to Viacom Inc., primarily MTV Networks and BET Networks. In addition, the Company recognizes revenues for advertising spending placed by various subsidiaries of Viacom Inc., primarily Paramount Pictures and MTV Networks. Viacom Inc. also distributes certain of the Company's television products in the home entertainment market. The Company's total revenues from these transactions were \$64 million and \$51 million for the three months ended March 31, 2012 and 2011, respectively.

The Company places advertisements with, and leases production facilities, licenses programming and purchases other goods and services from various subsidiaries of Viacom Inc. The total amounts for these transactions were \$6 million for both the three months ended March 31, 2012 and 2011.



Table of Contents**CBS CORPORATION AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Tabular dollars in millions, except per share amounts)**

The following table presents the amounts due from and due to Viacom Inc. in the normal course of business as reflected on the Company's Consolidated Balance Sheets.

	At March 31, 2012	At December 31, 2011
<b>Amounts due from Viacom Inc.</b>		
Receivables	\$ 105	\$ 102
Other assets (Receivables, noncurrent)	179	198
<b>Total amounts due from Viacom Inc.</b>	<b>\$ 284</b>	<b>\$ 300</b>
<b>Amounts due to Viacom Inc.</b>		
Accounts payable	\$ 1	\$ 3
Program rights	2	2
<b>Total amounts due to Viacom Inc.</b>	<b>\$ 3</b>	<b>\$ 5</b>

*Other Related Parties* The Company has equity interests in a domestic television network and several international joint ventures for television channels, from which the Company earns revenues primarily by selling its television programming. Total revenues earned from these joint ventures were \$36 million and \$33 million for the three months ended March 31, 2012 and 2011, respectively.

The Company, through the normal course of business, is involved in transactions with other related parties that have not been material in any of the periods presented.

**6) BANK FINANCING AND DEBT**

The following table sets forth the Company's debt.

	At March 31, 2012	At December 31, 2011
Senior debt (3.375% 8.875% due 2012 2056)	\$ 5,871	\$ 5,925
Obligations under capital leases	74	78
<b>Total debt</b>	<b>5,945</b>	<b>6,003</b>
Less discontinued operations debt <sup>(b)</sup>	21	21
<b>Total debt from continuing operations</b>	<b>5,924</b>	<b>5,982</b>
Less current portion	22	24
<b>Total long-term debt from continuing operations, net of current portion</b>	<b>\$ 5,902</b>	<b>\$ 5,958</b>

(a)

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At March 31, 2012 and December 31, 2011, the senior debt balances included (i) a net unamortized (discount) premium of \$(2) million and \$4 million, respectively, and (ii) an increase in the carrying value of the debt relating to previously settled fair value hedges of \$27 million and \$75 million, respectively. The face value of the Company's senior debt was \$5.85 billion at both March 31, 2012 and December 31, 2011.

(b)

Included in "Liabilities of discontinued operations" on the Consolidated Balance Sheets.

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Table of Contents**CBS CORPORATION AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Tabular dollars in millions, except per share amounts)**

The senior debt of CBS Corp. is fully and unconditionally guaranteed by its wholly owned subsidiary, CBS Operations Inc. Senior debt in the amount of \$52 million of the Company's wholly owned subsidiary, CBS Broadcasting Inc., has no guarantor.

At March 31, 2012, the Company classified \$490 million of senior notes and debentures maturing in August 2012 as long-term debt on the Consolidated Balance Sheet, reflecting its intent and ability to refinance this debt on a long-term basis.

During the first quarter of 2012, the Company issued \$700 million of 3.375% senior notes due 2022. The net proceeds were used to redeem the Company's \$700 million of 6.75% senior notes due 2056, resulting in a pre-tax gain on early extinguishment of debt of \$25 million.

***Credit Facility***

At March 31, 2012, the Company had a \$2.0 billion revolving credit facility which expires in March 2015 (the "Credit Facility"). The Credit Facility requires the Company to maintain a maximum Consolidated Leverage Ratio of 4.0x at the end of each quarter and a minimum Consolidated Coverage Ratio of 3.0x for the trailing four quarters, each as further described in the Credit Facility. At March 31, 2012, the Company's Consolidated Leverage Ratio was approximately 1.7x and Consolidated Coverage Ratio was approximately 8.3x.

The Consolidated Leverage Ratio reflects the ratio of the Company's indebtedness from continuing operations, adjusted to exclude certain capital lease obligations, at the end of a quarter, to the Company's Consolidated EBITDA for the trailing four consecutive quarters. Consolidated EBITDA is defined in the Credit Facility as operating income plus interest income and before depreciation, amortization and certain other noncash items. The Consolidated Coverage Ratio reflects the ratio of Consolidated EBITDA to the Company's cash interest expense on indebtedness, adjusted to exclude certain capital lease obligations, in each case for the trailing four consecutive quarters.

The primary purpose of the Credit Facility is to support commercial paper borrowings. At March 31, 2012, the Company had no commercial paper borrowings under its \$2.0 billion commercial paper program. At March 31, 2012, the remaining availability under the Credit Facility, net of outstanding letters of credit, was \$1.98 billion.

**7) PENSION AND OTHER POSTRETIREMENT BENEFITS**

The components of net periodic cost for the Company's pension and postretirement benefit plans were as follows:

Three Months Ended March 31,	Pension Benefits		Postretirement Benefits	
	2012	2011	2012	2011
<b>Components of net periodic cost:</b>				
Service cost	\$ 9	\$ 9	\$	\$
Interest cost	61	62	8	9
Expected return on plan assets	(62)	(59)		
Amortization of actuarial loss (gain)	18	16	(4)	(2)
Net periodic cost	\$ 26	\$ 28	\$ 4	\$ 7

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**CBS CORPORATION AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Tabular dollars in millions, except per share amounts)**

**8) STOCKHOLDERS' EQUITY**

During the first quarter of 2012, the Company repurchased 9.0 million shares of CBS Corp. Class B Common Stock for \$269 million, at an average cost of \$30.03 per share. Since the inception of the share repurchase program in January of 2011, the Company has repurchased 51.2 million shares for \$1.29 billion, at an average cost of \$25.17 per share, leaving \$1.71 billion of authorization remaining at March 31, 2012.

During the first quarter of 2012, the Company declared a quarterly cash dividend of \$.10 per share on its Class A and Class B Common Stock payable on April 1, 2012. The total dividend was \$66 million of which \$65 million was paid on April 1, 2012 and \$1 million was accrued to be paid upon vesting of RSUs. During the first quarter of 2012, the Company paid \$69 million for the dividend declared during the fourth quarter of 2011 and for dividend payments on RSUs that vested during the first quarter of 2012.

**9) INCOME TAXES**

The provision for income taxes represents federal, state and local, and foreign income taxes on earnings before income taxes and equity in loss of investee companies.

The provision for income taxes for the three months ended March 31, 2012 increased to \$203 million from \$122 million for the same prior-year period, driven by the increase in earnings before income taxes. The Company's effective income tax rate was 36% for both the three months ended March 31, 2012 and 2011.

The Company is currently under examination by the IRS for the years 2008, 2009 and 2010. In addition, various tax years are currently under examination by state and local, and foreign tax authorities. With respect to open tax years in all jurisdictions, the Company does not currently believe that it is reasonably possible that the reserve for uncertain tax positions will significantly change within the next twelve months; however, it is difficult to predict the final outcome or timing of resolution of any particular tax matter and accordingly, unforeseen events could cause the Company's current expectation to change in the future.

**10) COMMITMENTS AND CONTINGENCIES**

*Off-Balance Sheet Arrangements*

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. At March 31, 2012, the outstanding letters of credit and surety bonds approximated \$395 million and were not recorded on the Consolidated Balance Sheet.

In the course of its business, the Company both provides and receives indemnities which are intended to allocate certain risks associated with business transactions. Similarly, the Company 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 obligation. The Company records a liability for its indemnification obligations and other contingent liabilities when probable under GAAP.

**Legal Matters**

*Securities Action.* On December 12, 2008, the City of Pontiac General Employees' Retirement System filed a self-styled class action complaint in the United States District Court for the Southern District of

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**CBS CORPORATION AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Tabular dollars in millions, except per share amounts)**

New York against the Company and its Chief Executive Officer, Chief Financial Officer, Chief Accounting Officer, and Treasurer, alleging violations of federal securities law. The complaint, which was filed on behalf of a putative class of purchasers of the Company's common stock between February 26, 2008 and October 10, 2008 (the "Class Period"), alleges that, among other things, the Company's failure to timely write down the value of certain assets caused the Company's reported operating results during the Class Period to be materially inflated. The plaintiffs seek unspecified compensatory damages. On February 11, 2009, a motion was filed in the case on behalf of The City of Omaha, Nebraska Civilian Employees' Retirement System, and The City of Omaha Police and Fire Retirement System (collectively, the "Omaha Funds") seeking to appoint the Omaha Funds as the lead plaintiffs in this case; on March 5, 2009, the court granted that motion. On May 4, 2009, the plaintiffs filed an Amended Complaint, which removes the Treasurer as a defendant and adds the Executive Chairman. On July 13, 2009, all defendants filed a motion to dismiss this action. On March 16, 2010, the court granted the Company's motion and dismissed this action as to the Company and all defendants. On April 30, 2010, the plaintiffs filed a motion for leave to serve an amended complaint. On September 23, 2010, the court issued an order granting leave to amend. On October 8, 2010, the Company was served with an Amended Complaint, which redefines the Class Period to be April 29, 2008 to October 10, 2008 and alleges that the impairment charge should have been taken during the first quarter of 2008. The Company filed a motion to dismiss this Amended Complaint on November 19, 2010. On May 24, 2011, the court granted the motion to dismiss and entered judgment in favor of defendants on May 25, 2011. On June 23, 2011, plaintiffs filed a notice of appeal with the United States Court of Appeals for the Second Circuit and, on March 14, 2012, the Second Circuit heard oral argument on plaintiffs' appeal.

*E-books Matters.* A number of lawsuits described below are pending against the following parties relating to the sale of e-books: Apple Inc., Hachette Book Group, Inc., HarperCollins Publishers, LLC, Holtzbrinck Publishers LLC d/b/a Macmillan, Penguin Group (USA) Inc. and the Company's subsidiary, Simon & Schuster, Inc. (collectively, the "Publishing parties").

On April 10, 2012, for purposes of settlement and without any admission of liability, Simon & Schuster and two of the other Publishing parties entered into a settlement stipulation and proposed final judgment (the "Stipulation") with the United States Department of Justice (the "DOJ") in connection with the DOJ's investigations of agency distribution of e-books. In furtherance of this settlement, on April 11, 2012, the DOJ filed an antitrust action in the United States District Court for the Southern District of New York against the Publishing parties and concurrently filed the Stipulation with the court. The Stipulation, which is subject to final approval by the court, does not involve any monetary payments by Simon & Schuster, but will require the adoption of certain business practices for a 24 month period and certain compliance practices for a five year period.

On December 9, 2011, the United States Judicial Panel on Multidistrict Litigation (the "MDL") issued an order consolidating in the United States District Court for the Southern District of New York various purported class action suits that private litigants had filed in federal courts in California and New York. On January 20, 2012, the plaintiffs filed a consolidated amended class action complaint with the court against the Publishing parties. These private litigant plaintiffs, who are e-book purchasers, allege that, among other things, the defendants are in violation of federal and/or state antitrust laws in connection with the sale of e-books pursuant to agency distribution arrangements between each of the publishers and e-book retailers. The consolidated amended class action complaint generally seeks multiple forms of damages for the purchase of e-books and injunctive and other relief. On March 2, 2012, the Publishing parties filed a motion to dismiss this action.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Tabular dollars in millions, except per share amounts)**

Commencing on February 24, 2012, similar antitrust suits have been filed against the Publishing parties by private litigants in Canada, purportedly as class actions. On April 11, 2012, a number of states and the Commonwealth of Puerto Rico filed an antitrust action against several of the Publishing parties in Texas federal court, which was transferred to the United States District Court for the Southern District of New York ("States") on April 30, 2012. Simon & Schuster intends to vigorously defend itself in the MDL, Canadian and States litigations.

In addition, the competition authority in the European Community is conducting a competition investigation of agency distribution arrangements of e-books in this industry and Simon & Schuster is cooperating with this investigation.

*Indecency Regulation.* In March 2006, the FCC released certain decisions relating to indecency complaints against certain of the Company's owned television stations and affiliated stations. The FCC ordered the Company to pay a forfeiture of \$550,000 in the proceeding relating to the broadcast of a Super Bowl half-time show by the Company's television stations (the "Super Bowl Proceeding"). In May 2006, the FCC denied the Company's petition for reconsideration. In July 2006, the Company filed a Petition for Review of the forfeiture with the United States Court of Appeals for the Third Circuit and paid the \$550,000 forfeiture in order to facilitate the Company's ability to bring the appeal. Oral argument was heard in September 2007. In July 2008, the Third Circuit vacated the FCC's order to have the Company pay the forfeiture and remanded the case to the FCC. On November 18, 2008, the FCC filed a petition for certiorari with the United States Supreme Court, seeking review of the Third Circuit's decision. The petition requested that the United States Supreme Court not act on the petition until it ruled in the "fleeting expletives case" mentioned below. On January 8, 2009, the Company filed its opposition to the FCC's petition for certiorari.

In another case involving broadcasts on another network, in June 2007, the United States Court of Appeals for the Second Circuit vacated the FCC's November 2006 finding that the broadcast of fleeting and isolated expletives was indecent and remanded the case to the FCC (the "fleeting expletives case"). On March 17, 2008, the United States Supreme Court granted the FCC's petition to review the United States Court of Appeals for the Second Circuit's decision. On November 4, 2008, the United States Supreme Court heard argument in this case. On April 28, 2009, the United States Supreme Court issued a 5-4 decision reversing the Second Circuit's judgment on administrative grounds in favor of the FCC and remanding the fleeting expletives case to the Second Circuit. The Second Circuit requested additional briefing and argument was heard on January 13, 2010. On July 13, 2010, the Second Circuit struck down an FCC policy on indecency and found that the FCC's indecency policies and decisions regarding the use of "fleeting expletives" on radio and television violated the First Amendment. On August 25, 2010, the FCC filed a petition for rehearing en banc and, on August 31, 2010, the Second Circuit issued an order directing all parties and intervenors to file briefs in response to the FCC's petition on September 21, 2010, which were filed. On November 22, 2010, the Second Circuit denied the FCC's petition for rehearing. On April 21, 2011, the FCC filed a combined petition for certiorari seeking review of the Second Circuit's decision in this case and also in an indecency case involving a broadcast on another television network. On June 27, 2011, the United States Supreme Court granted the FCC's petition for certiorari. On January 10, 2012, the United States Supreme Court heard oral argument in these cases.

Following the April 28, 2009 decision in the fleeting expletives case, on May 4, 2009, the United States Supreme Court remanded the Super Bowl Proceeding to the United States Court of Appeals for the Third Circuit and requested supplemental briefing from the Company and the FCC, in light of the United States Supreme Court's fleeting expletives decision. Argument was heard by the Third Circuit in

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the Super Bowl Proceeding on February 23, 2010. On May 18, 2010 and on December 22, 2010, at the Third Circuit's request, the Company and the FCC each submitted supplemental briefs. On November 2, 2011, the Third Circuit upheld its earlier decision to vacate the FCC's order to have the Company pay the \$550,000 forfeiture. On April 17, 2012, the FCC filed a petition for certiorari with the United States Supreme Court seeking review of the Third Circuit decision.

In March 2006, the FCC also notified the Company and certain affiliates of the CBS Television Network of apparent liability for forfeitures relating to a broadcast of the program *Without a Trace*. The FCC proposed to assess a forfeiture of \$32,500 against each of these stations, totaling \$260,000 for the Company's owned stations. The Company is contesting the FCC decision and the proposed forfeitures.

Additionally, the Company, from time to time, has received and may receive in the future letters of inquiry from the FCC prompted by complaints alleging that certain programming on the Company's broadcasting stations included indecent material.

*Claims Related to Former Businesses: Asbestos.* The Company is a defendant in lawsuits claiming various personal injuries related to asbestos and other materials, which allegedly occurred principally as a result of exposure caused by various products manufactured by Westinghouse, a predecessor, generally prior to the early 1970s. Westinghouse was neither a producer nor a manufacturer of asbestos. The Company is typically named as one of a large number of defendants in both state and federal cases. In the majority of asbestos lawsuits, the plaintiffs have not identified which of the Company's products is the basis of a claim. Claims against the Company in which a product has been identified principally relate to exposures allegedly caused by asbestos-containing insulating material in turbines sold for power-generation, industrial and marine use, or by asbestos-containing grades of decorative micarta, a laminate used in commercial ships.

Claims are frequently filed and/or settled in groups, which may make the amount and timing of settlements, and the number of pending claims, subject to significant fluctuation from period to period. The Company does not report as pending those claims on inactive, stayed, deferred or similar dockets which some jurisdictions have established for claimants who allege minimal or no impairment. As of March 31, 2012, the Company had pending approximately 48,650 asbestos claims, as compared with approximately 50,090 as of December 31, 2011 and 52,230 as of March 31, 2011. During the first quarter of 2012, the Company received approximately 1,090 new claims and closed or moved to an inactive docket approximately 2,530 claims. The Company reports claims as closed when it becomes aware that a dismissal order has been entered by a court or when the Company has reached agreement with the claimants on the material terms of a settlement. Settlement costs depend on the seriousness of the injuries that form the basis of the claim, the quality of evidence supporting the claims and other factors. The Company's total costs for the years 2011 and 2010 for settlement and defense of asbestos claims after insurance recoveries and net of tax benefits were approximately \$33 million and \$14 million, respectively. The Company's costs for settlement and defense of asbestos claims may vary year to year as insurance proceeds are not always recovered in the same period as the insured portion of the expenses.

The Company believes that its reserves and insurance are adequate to cover its asbestos liabilities. This belief is based upon many factors and assumptions, including the number of outstanding claims, estimated average cost per claim, the breakdown of claims by disease type, historic claim filings, costs per claim of resolution and the filing of new claims. While the number of asbestos claims filed against the Company has trended down in recent years, it is difficult to predict future asbestos liabilities, as

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**(Tabular dollars in millions, except per share amounts)**

events and circumstances may occur including, among others, the number and types of claims and average cost to resolve such claims, which could affect the Company's estimate of its asbestos liabilities.

*Other.* The Company from time to time receives claims from federal and state environmental regulatory agencies and other entities asserting that it is or may be liable for environmental cleanup costs and related damages principally relating to historical and predecessor operations of the Company. In addition, the Company from time to time receives personal injury claims including toxic tort and product liability claims (other than asbestos) arising from historical operations of the Company and its predecessors.

*General.* On an ongoing basis, the Company vigorously defends itself in numerous lawsuits and proceedings and responds to various investigations and inquiries from federal, state and local authorities (collectively, "litigation"). Litigation may be brought against the Company without merit, is inherently uncertain and always difficult to predict. However, based on its understanding and evaluation of the relevant facts and circumstances, the Company believes that the above-described legal matters and other litigation to which it 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. Under the Separation Agreement between the Company and Viacom Inc., the Company and Viacom Inc. have agreed to defend and indemnify the other in certain litigation in which the Company and/or Viacom Inc. is named.

**11) RESTRUCTURING CHARGES**

During the year ended December 31, 2011, in a continued effort to reduce its cost structure, the Company initiated restructuring plans, which primarily included relocation or closure of certain business activities, as well as other exit activities. As a result, the Company recorded restructuring charges of \$46 million, reflecting \$34 million of costs associated with exiting contractual obligations and \$12 million of severance costs. During the year ended December 31, 2010, the Company recorded restructuring charges of \$81 million, reflecting \$66 million of severance costs and \$15 million of contract termination and other associated costs. As of March 31, 2012, the cumulative amount paid for the 2011 and 2010 restructuring charges was \$85 million, of which \$67 million was for the severance costs and \$18 million was related to contract termination and other associated costs. The Company expects to substantially utilize the remaining reserves by the end of 2013.

	Balance at December 31, 2011	First Quarter 2012 Payments	Balance at March 31, 2012
Entertainment	\$ 42	\$ (7)	\$ 35
Cable Networks	1		1
Publishing	2	(1)	1
Local Broadcasting	2		2
Outdoor	5	(2)	3
<b>Total</b>	<b>\$ 52</b>	<b>\$ (10)</b>	<b>\$ 42</b>



Table of Contents**CBS CORPORATION AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Tabular dollars in millions, except per share amounts)****12) FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS**

The Company uses derivative financial instruments primarily to modify its exposure to market risks from fluctuations in foreign currency exchange rates. The Company does not use derivative instruments unless there is an underlying exposure and, therefore, the Company does not hold or enter into derivative financial instruments for speculative trading purposes. The fair value of the Company's derivative instruments and the related activity was not material to the Consolidated Balance Sheets and Consolidated Statements of Operations for any of the periods presented.

The following tables set forth the Company's assets and liabilities measured at fair value on a recurring basis at March 31, 2012 and December 31, 2011. These assets and liabilities have been categorized according to the three-level fair value hierarchy established by the FASB, which prioritizes the inputs used in measuring fair value. Level 1 is based on publicly quoted prices for the asset or liability in active markets. Level 2 is based on inputs that are observable other than quoted market prices in active markets, such as quoted prices for the asset or liability in inactive markets or quoted prices for similar assets or liabilities. Level 3 is based on unobservable inputs reflecting the Company's own assumptions about the assumptions that market participants would use in pricing the asset or liability.

At March 31, 2012	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
Investments	\$ 70	\$	\$	\$ 70
Foreign currency hedges		2		2
<b>Total Assets</b>	\$ 70	\$ 2	\$	\$ 72
<b>Liabilities:</b>				
Deferred compensation	\$	\$ 183	\$	\$ 183
Foreign currency hedges		1		1
<b>Total Liabilities</b>	\$	\$ 184	\$	\$ 184

At December 31, 2011	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
Investments	\$ 61	\$	\$	\$ 61
Foreign currency hedges		4		4
<b>Total Assets</b>	\$ 61	\$ 4	\$	\$ 65
<b>Liabilities:</b>				
Deferred compensation	\$	\$ 173	\$	\$ 173
<b>Total Liabilities</b>	\$	\$ 173	\$	\$ 173

The fair value of investments is determined based on publicly quoted market prices in active markets. The fair value of foreign currency hedges is determined based on the present value of future cash flows using observable inputs including foreign currency exchange rates. The fair value of deferred compensation is determined based on the fair value of the investments elected by employees.



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The Company's carrying value of financial instruments approximates fair value, except for differences with respect to the notes and debentures. At March 31, 2012 and December 31, 2011, the carrying value of senior debt was \$5.87 billion and \$5.93 billion, respectively, and the fair value, which is estimated based on quoted market prices for similar liabilities (Level 2) and includes accrued interest, was \$6.88 billion and \$6.86 billion, respectively.

**13) REPORTABLE SEGMENTS**

The following tables set forth the Company's financial performance by reportable segment. The Company's operating segments, which are the same as its reportable segments, have been determined in accordance with the Company's internal management structure, which is organized based upon products and services.

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2012</b>	<b>2011</b>
<b>Revenues:</b>		
Entertainment	\$ 2,318	\$ 1,994
Cable Networks	452	393
Publishing	176	155
Local Broadcasting	622	621
Outdoor	416	413
Eliminations	(60)	(66)
<b>Total Revenues</b>	<b>\$ 3,924</b>	<b>\$ 3,510</b>

Revenues generated between segments primarily reflect advertising sales and television license fees. These transactions are recorded at market value as if the sales were to third parties and are eliminated in consolidation.

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2012</b>	<b>2011</b>
<b>Intercompany Revenues:</b>		
Entertainment	\$ 53	\$ 55
Local Broadcasting	4	5
Outdoor	3	6
<b>Total Intercompany Revenues</b>	<b>\$ 60</b>	<b>\$ 66</b>

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## CBS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)  
(Tabular dollars in millions, except per share amounts)

The Company presents segment operating income (loss) before depreciation and amortization and impairment charges ("Segment OIBDA before Impairment Charges" or "Segment OIBDA" if there is no impairment charge) as the primary measure of profit and loss for its operating segments in accordance with FASB guidance for segment reporting. The Company believes the presentation of Segment OIBDA before Impairment Charges is relevant and useful for investors because it allows investors to view segment performance in a manner similar to the primary method used by the Company's management and enhances their ability to understand the Company's operating performance.

	Three Months Ended March 31,	
	2012	2011
<b>Segment OIBDA before Impairment Charges:</b>		
Entertainment	\$ 411	\$ 268
Cable Networks	209	153
Publishing	10	7
Local Broadcasting	171	169
Outdoor	53	49
Corporate	(58)	(52)
Residual costs	(12)	(19)
Eliminations		1
<b>OIBDA before Impairment Charges</b>	<b>784</b>	<b>576</b>
Impairment charges	(11)	
Depreciation and amortization	(131)	(139)
<b>Total Operating Income</b>	<b>642</b>	<b>437</b>
Interest expense	(110)	(110)
Interest income	2	2
Gain on early extinguishment of debt	25	
Other items, net	12	9
Earnings before income taxes and equity in loss of investee companies	571	338
Provision for income taxes	(203)	(122)
Equity in loss of investee companies, net of tax	(5)	(14)
<b>Net earnings</b>	<b>\$ 363</b>	<b>\$ 202</b>

Three Months Ended  
March 31,

2012                      2011

<b>Operating Income (Loss):</b>			
Entertainment	\$	370	\$ 230
Cable Networks		204	147
Publishing		8	5

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Local Broadcasting	138	143
Outdoor	(2)	(12)
Corporate	(64)	(58)
Residual costs	(12)	(19)
Eliminations		1
<b>Total Operating Income</b>	\$ 642	\$ 437

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## CBS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)  
(Tabular dollars in millions, except per share amounts)Three Months Ended  
March 31,

2012                      2011

<b>Depreciation and Amortization:</b>			
Entertainment	\$	41	\$ 38
Cable Networks		5	6
Publishing		2	2
Local Broadcasting		22	26
Outdoor		55	61
Corporate		6	6
<b>Total Depreciation and Amortization</b>	\$	131	\$ 139

Three Months Ended  
March 31,

2012                      2011

<b>Stock-based Compensation:</b>			
Entertainment	\$	13	\$ 12
Cable Networks		1	1
Publishing		1	1
Local Broadcasting		6	5
Outdoor		2	1
Corporate		19	14
<b>Total Stock-based Compensation</b>	\$	42	\$ 34

Three Months Ended  
March 31,

2012                      2011

<b>Capital Expenditures:</b>			
Entertainment	\$	17	\$ 14
Cable Networks		1	2
Publishing			
Local Broadcasting		10	12
Outdoor		11	12
Corporate			1

**Total Capital Expenditures**                    \$        39    \$        41

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(Tabular dollars in millions, except per share amounts)

	At March 31, 2012	At December 31, 2011
<b>Assets:</b>		
Entertainment	\$ 8,739	\$ 8,471
Cable Networks	1,676	1,679
Publishing	959	1,091
Local Broadcasting	9,595	9,626
Outdoor	4,087	4,092
Corporate	1,381	1,262
Discontinued operations	79	77
Eliminations	(123)	(101)
<b>Total Assets</b>	<b>\$ 26,393</b>	<b>\$ 26,197</b>

**14) CONDENSED CONSOLIDATING FINANCIAL STATEMENTS**

CBS Operations Inc. is a wholly owned subsidiary of the Company. CBS Operations Inc. has fully and unconditionally guaranteed CBS Corp.'s senior debt securities (See Note 6). The following condensed consolidating financial statements present the results of operations, financial position and cash flows of CBS Corp., CBS Operations Inc., the direct and indirect Non-Guarantor Affiliates of CBS Corp. and CBS Operations Inc., and the eliminations necessary to arrive at the information for the Company on a consolidated basis.

	<b>Statement of Operations</b>				
	<b>For the Three Months Ended March 31, 2012</b>				
	CBS Corp.	CBS Operations Inc.	Non Guarantor Affiliates	Eliminations	CBS Corp. Consolidated
Revenues	\$ 32	\$ 67	\$ 3,825	\$	\$ 3,924
Expenses:					
Operating	18	44	2,399		2,461
Selling, general and administrative	22	64	593		679
Impairment charges			11		11
Depreciation and amortization	1	4	126		131
<b>Total expenses</b>	<b>41</b>	<b>112</b>	<b>3,129</b>		<b>3,282</b>
Operating income (loss)	(9)	(45)	696		642
Interest (expense) income, net	(129)	(86)	107		(108)
Gain on early extinguishment of debt	25				25
Other items, net	1	(3)	14		12
Earnings (loss) before income taxes and equity in earnings (loss) of investee companies	(112)	(134)	817		571
(Provision) benefit for income taxes	40	47	(290)		(203)
Equity in earnings (loss) of investee companies, net of tax	435	332	(5)	(767)	(5)



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Net earnings	\$	363	\$	245	\$	522	\$	(767)	\$	363
Comprehensive income	\$	382	\$	239	\$	539	\$	(778)	\$	382

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**(Tabular dollars in millions, except per share amounts)**

	<b>Statement of Operations</b>				
	<b>For the Three Months Ended March 31, 2011</b>				
	<b>CBS Corp.</b>	<b>CBS Operations Inc.</b>	<b>Non-Guarantor Affiliates</b>	<b>Eliminations</b>	<b>CBS Corp. Consolidated</b>
Revenues	\$ 32	\$ 28	\$ 3,450	\$	\$ 3,510
Expenses:					
Operating	18	22	2,236		2,276
Selling, general and administrative	28	57	573		658
Depreciation and amortization	1	4	134		139
Total expenses	47	83	2,943		3,073
Operating income (loss)	(15)	(55)	507		437
Interest (expense) income, net	(129)	(84)	105		(108)
Other items, net	1	(2)	10		9
Earnings (loss) before income taxes and equity in earnings (loss) of investee companies	(143)	(141)	622		338
(Provision) benefit for income taxes	48	48	(218)		(122)
Equity in earnings (loss) of investee companies, net of tax	297	248	(14)	(545)	(14)
Net earnings	\$ 202	\$ 155	\$ 390	\$ (545)	\$ 202
Comprehensive income	\$ 222	\$ 150	\$ 408	\$ (558)	\$ 222

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(Tabular dollars in millions, except per share amounts)

	<b>Balance Sheet At March 31, 2012</b>				
	<b>CBS Corp.</b>	<b>CBS Operations Inc.</b>	<b>Non- Guarantor Affiliates</b>	<b>Eliminations</b>	<b>CBS Corp. Consolidated</b>
<b>Assets</b>					
Cash and cash equivalents	\$ 429	\$ 1	\$ 364	\$	\$ 794
Receivables, net	24	80	3,228		3,332
Programming and other inventory	6	5	563		574
Prepaid expenses and other current assets	60	82	961	(20)	1,083
<b>Total current assets</b>	<b>519</b>	<b>168</b>	<b>5,116</b>	<b>(20)</b>	<b>5,783</b>
Property and equipment	46	101	5,225		5,372
Less accumulated depreciation and amortization	14	59	2,841		2,914
<b>Net property and equipment</b>	<b>32</b>	<b>42</b>	<b>2,384</b>		<b>2,458</b>
Programming and other inventory	6	96	1,323		1,425
Goodwill	98	62	8,470		8,630
Intangible assets			6,555		6,555
Investments in consolidated subsidiaries	36,908	8,303		(45,211)	
Other assets	185	20	1,337		1,542
Intercompany		3,879	14,770	(18,649)	
<b>Total Assets</b>	<b>\$ 37,748</b>	<b>\$ 12,570</b>	<b>\$ 39,955</b>	<b>\$ (63,880)</b>	<b>\$ 26,393</b>
<b>Liabilities and Stockholders' Equity</b>					
Accounts payable	\$ 2	\$ 6	\$ 331	\$	\$ 339
Participants' share and royalties payable		32	860		892
Program rights	7	4	773		784
Current portion of long-term debt	5		17		22
Accrued expenses and other current liabilities	466	220	1,449	(22)	2,113
<b>Total current liabilities</b>	<b>480</b>	<b>262</b>	<b>3,430</b>	<b>(22)</b>	<b>4,150</b>
Long-term debt	5,793		109		5,902
Other liabilities	3,126	417	2,794		6,337
Intercompany	18,345			(18,345)	
<b>Stockholders' Equity:</b>					
Preferred Stock			128	(128)	
Common Stock	1	123	1,136	(1,259)	1
Additional paid-in capital	43,376		61,690	(61,690)	43,376
Retained earnings (deficit)	(27,980)	12,105	(24,844)	12,739	(27,980)

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Accumulated other comprehensive income (loss)	(420)	(6)	312	(306)	(420)
	14,977	12,222	38,422	(50,644)	14,977
Less treasury stock, at cost	4,973	331	4,800	(5,131)	4,973
<b>Total Stockholders' Equity</b>	<b>10,004</b>	<b>11,891</b>	<b>33,622</b>	<b>(45,513)</b>	<b>10,004</b>
Total Liabilities and Stockholders' Equity	\$ 37,748	\$ 12,570	\$ 39,955	\$ (63,880)	\$ 26,393

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Table of Contents**CBS CORPORATION AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(Tabular dollars in millions, except per share amounts)

	<b>Balance Sheet</b>				
	<b>At December 31, 2011</b>				
	<b>CBS Corp.</b>	<b>CBS Operations Inc.</b>	<b>Non-Guarantor Affiliates</b>	<b>Eliminations</b>	<b>CBS Corp. Consolidated</b>
<b>Assets</b>					
Cash and cash equivalents	\$ 134	\$ 1	\$ 525	\$	\$ 660
Receivables, net	30	54	3,170		3,254
Programming and other inventory	6	4	725		735
Prepaid expenses and other current assets	81	83	752	(22)	894
Total current assets	251	142	5,172	(22)	5,543
Property and equipment	46	100	5,188		5,334
Less accumulated depreciation and amortization	14	56	2,754		2,824
Net property and equipment	32	44	2,434		2,510
Programming and other inventory	8	125	1,363		1,496
Goodwill	98	62	8,460		8,620
Intangible assets			6,526		6,526
Investments in consolidated subsidiaries	36,473	7,972		(44,445)	
Other assets	223	20	1,259		1,502
Intercompany		4,022	14,103	(18,125)	
Total Assets	\$ 37,085	\$ 12,387	\$ 39,317	\$ (62,592)	\$ 26,197
<b>Liabilities and Stockholders' Equity</b>					
Accounts payable	\$ 5	\$ 17	\$ 388	\$	\$ 410
Participants' share and royalties payable		28	910		938
Program rights	7	5	565		577
Current portion of long-term debt	7		17		24
Accrued expenses and other current liabilities	311	279	1,417	(23)	1,984
Total current liabilities	330	329	3,297	(23)	3,933
Long-term debt	5,845		113		5,958
Other liabilities	3,169	406	2,824	(1)	6,398
Intercompany	17,833			(17,833)	
<b>Stockholders' Equity:</b>					
Preferred Stock			128	(128)	
Common Stock	1	123	1,136	(1,259)	1

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Additional paid-in capital	43,395		61,690	(61,690)	43,395
Retained earnings (deficit)	(28,343)	11,860	(25,366)	13,506	(28,343)
Accumulated other comprehensive income (loss)	(439)		295	(295)	(439)
	14,614	11,983	37,883	(49,866)	14,614
Less treasury stock, at cost	4,706	331	4,800	(5,131)	4,706
Total Stockholders' Equity	9,908	11,652	33,083	(44,735)	9,908
Total Liabilities and Stockholders' Equity	\$ 37,085	\$ 12,387	\$ 39,317	\$ (62,592)	\$ 26,197

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## CBS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)  
(Tabular dollars in millions, except per share amounts)

	Statement of Cash Flows For the Three Months Ended March 31, 2012				CBS Corp. Consolidated
	CBS Corp.	CBS Operations Inc.	Non- Guarantor Affiliates	Eliminations	
<b>Net cash flow (used for) provided by operating activities</b>	\$ (102)	\$ (115)	\$ 863	\$	\$ 646
<b>Investing Activities:</b>					
Acquisitions, net of cash acquired			(69)		(69)
Capital expenditures			(39)		(39)
Investments in and advances to investee companies			(34)		(34)
Other investing activities		4	(2)		2
<b>Net cash flow provided by (used for) investing activities</b>		4	(144)		(140)
<b>Financing Activities:</b>					
Proceeds from issuance of notes	690				690
Repayment of notes	(700)				(700)
Payment of capital lease obligations			(5)		(5)
Payment of contingent consideration			(33)		(33)
Dividends	(69)				(69)
Purchase of Company common stock	(260)				(260)
Payment of payroll taxes in lieu of issuing shares for stock-based compensation	(87)				(87)
Proceeds from exercise of stock options	36				36
Excess tax benefit from stock-based compensation	56				56
Increase (decrease) in intercompany payables	731	111	(842)		
<b>Net cash flow provided by (used for) financing activities</b>	397	111	(880)		(372)
Net increase (decrease) in cash and cash equivalents	295		(161)		134
Cash and cash equivalents at beginning of period	134	1	525		660
<b>Cash and cash equivalents at end of period</b>	\$ 429	\$ 1	\$ 364	\$	\$ 794

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## CBS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)  
(Tabular dollars in millions, except per share amounts)

	Statement of Cash Flows For the Three Months ended March 31, 2011				
	CBS Corp.	CBS Operations Inc.	Non- Guarantor Affiliates	Eliminations	CBS Corp. Consolidated
<b>Net cash flow (used for) provided by operating activities</b>	\$ (116)	\$ (99)	\$ 1,109	\$	\$ 894
<b>Investing Activities:</b>					
Acquisitions, net of cash acquired			(53)		(53)
Capital expenditures		(1)	(40)		(41)
Investments in and advances to investee companies			(26)		(26)
Proceeds from dispositions			13		13
Other investing activities		4			4
<b>Net cash flow provided by (used for) investing activities</b>		3	(106)		(103)
<b>Financing Activities:</b>					
Repayment of notes			(2)		(2)
Payment of capital lease obligations			(4)		(4)
Dividends	(37)				(37)
Purchase of Company common stock	(250)				(250)
Payment of payroll taxes in lieu of issuing shares for stock-based compensation	(46)				(46)
Proceeds from exercise of stock options	10				10
Excess tax benefit from stock-based compensation	35				35
Other financing activities	(5)				(5)
Increase (decrease) in intercompany payables	883	96	(979)		
<b>Net cash flow provided by (used for) financing activities</b>	590	96	(985)		(299)
Net increase in cash and cash equivalents	474		18		492
Cash and cash equivalents at beginning of period	105	1	374		480
<b>Cash and cash equivalents at end of period</b>	\$ 579	\$ 1	\$ 392	\$	\$ 972



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**Item 2. Management's Discussion and Analysis of Results of Operations and Financial Condition.**  
**(Tabular dollars in millions, except per share amounts)**

Management's discussion and analysis of the results of operations and financial condition of CBS Corporation (the "Company" or "CBS Corp.") should be read in conjunction with the consolidated financial statements and related notes in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2011.

**Overview**

CBS Corporation's first quarter 2012 revenues of \$3.92 billion, operating income of \$642 million and diluted earnings per share of \$.54, each reflect the Company's highest first quarter results since becoming a separate publicly traded company in 2006.

Revenues of \$3.92 billion for the first quarter of 2012 increased 12% from \$3.51 billion for the same prior-year period, led by 39% growth in content licensing and distribution revenues, driven by digital streaming agreements and higher domestic and international syndication sales. Affiliate and subscription fee revenues increased 7% reflecting higher cable network and retransmission revenues. In addition, advertising revenues grew 5%, mainly driven by rate increases for network primetime and sports advertising, as well as the benefit from the timing of the semifinals of the *NCAA Division I Men's Basketball Championship* ("NCAA Tournament") which aired in the first quarter of 2012 versus the second quarter of 2011.

Operating income for the first quarter of 2012 of \$642 million increased 47% from \$437 million for the first quarter of 2011, with improvement in operating income margins of four percentage points to 16% in 2012 from 12% in 2011. These increases were primarily driven by growth in high-margin revenue streams. Operating income includes a noncash impairment charge of \$11 million related to radio station divestitures. The Company reported first quarter diluted earnings per share of \$.54 for 2012, up 86% from \$.29 per diluted share for 2011, driven by the increase in operating income and lower weighted average shares outstanding, reflecting the impact of share repurchases.

During the first quarter of 2012, the Company issued \$700 million of 3.375% senior notes due 2022 and used the net proceeds to redeem its \$700 million of 6.75% senior notes due 2056. These transactions will result in annualized interest expense savings of approximately \$22 million, which began to benefit the Company in the second quarter of 2012.

Also during the quarter, the Company repurchased 9.0 million shares of its Class B Common Stock for \$269 million, at an average cost of \$30.03 per share. Since the inception of the share repurchase program in the first quarter of 2011, the Company has repurchased 51.2 million shares of Class B Common Stock for \$1.29 billion, at an average cost of \$25.17 per share, leaving \$1.71 billion of authorization remaining at March 31, 2012.

The Company ended the first quarter with \$794 million of cash on hand, an increase of \$134 million from December 31, 2011. Free cash flow for the first quarter of 2012 was \$607 million compared to \$853 million for the same prior-year period. The Company generated net cash flow from operating activities of \$646 million for the three months ended March 31, 2012 versus \$894 million for the comparable prior-year period.

Free cash flow, a non-GAAP financial measure, reflects the Company's net cash flow provided by (used for) operating activities less capital expenditures. See "Reconciliation of Non-GAAP Financial Information" on page 33 for a reconciliation of net cash flow provided by (used for) operating activities, the most directly comparable financial measure in accordance with accounting principles generally accepted in the United States ("GAAP"), to free cash flow.

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**Management's Discussion and Analysis of  
Results of Operations and Financial Condition (Continued)**  
(Tabular dollars in millions, except per share amounts)

**Consolidated Results of Operations****Three Months Ended March 31, 2012 versus Three Months Ended March 31, 2011***Revenues*

The following table presents the Company's consolidated revenues by type for the three months ended March 31, 2012 and 2011.

Revenues by Type	Three Months Ended March 31,					
	2012	Percentage of Total	2011	Percentage of Total	Increase/(Decrease)	
					\$	%
Advertising	\$ 2,398	61%	\$ 2,292	65%	\$ 106	5%
Content licensing and distribution	1,017	26	734	21	283	39
Affiliate and subscription fees	455	12	426	12	29	7
Other	54	1	58	2	(4)	(7)
<b>Total Revenues</b>	<b>\$ 3,924</b>	<b>100%</b>	<b>\$ 3,510</b>	<b>100%</b>	<b>\$ 414</b>	<b>12%</b>

Advertising sales increased \$106 million, or 5%, to \$2.40 billion for the three months ended March 31, 2012, primarily driven by the timing of the semifinals of the NCAA Tournament, which aired in the first quarter of 2012 versus the second quarter of 2011, as well as pricing increases for network primetime and sports advertising.

Content licensing and distribution revenues increased \$283 million, or 39%, to \$1.02 billion for the three months ended March 31, 2012, reflecting growth in both domestic and international television license fees, driven by the impact of licensing agreements for digital streaming and higher syndication sales. Results also reflect 14% higher Publishing revenues driven by the strength of best selling titles.

Affiliate and subscription fees increased \$29 million, or 7%, to \$455 million for the three months ended March 31, 2012 primarily due to growth in subscriptions and rate increases at Showtime Networks and higher retransmission revenues.

*International Revenues*

The Company generated approximately 16% of its total revenues from international regions for both the three months ended March 31, 2012 and 2011.

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**Management's Discussion and Analysis of  
Results of Operations and Financial Condition (Continued)**  
(Tabular dollars in millions, except per share amounts)

*Operating Expenses*

The following table presents the Company's consolidated operating expenses by type for the three months ended March 31, 2012 and 2011.

Operating Expenses by Type	Three Months Ended March 31,					
	2012	Percentage of Total	2011	Percentage of Total	Increase/(Decrease)	
					\$	%
Programming	\$ 1,019	41%	\$ 923	41%	\$ 96	10%
Production	578	24	529	23	49	9
Billboard, transit and other occupancy	244	10	247	11	(3)	(1)
Participation, distribution and royalty	230	9	193	8	37	19
Other	390	16	384	17	6	2
<b>Total Operating Expenses</b>	<b>\$ 2,461</b>	<b>100%</b>	<b>\$ 2,276</b>	<b>100%</b>	<b>\$ 185</b>	<b>8%</b>

Programming expenses for the three months ended March 31, 2012 increased \$96 million, or 10%, to \$1.02 billion, primarily driven by higher sports programming costs associated with the increase in revenues, including the timing of the semifinals of the NCAA Tournament, which aired in the first quarter of 2012 versus the second quarter of 2011.

Production expenses for the three months ended March 31, 2012 increased \$49 million, or 9%, to \$578 million, primarily driven by higher production costs associated with increased revenues from television licensing arrangements.

Billboard, transit and other occupancy expenses for the three months ended March 31, 2012 decreased \$3 million, or 1%, to \$244 million, reflecting lower occupancy expenses from the impact of cost-savings initiatives.

Participation, distribution and royalty costs for the three months ended March 31, 2012 increased \$37 million, or 19%, to \$230 million, principally due to higher participations associated with higher revenues from the licensing of titles for digital streaming and higher royalty expense associated with publishing revenue growth.

*Selling, General and Administrative Expenses*

Selling, general and administrative ("SG&A") expenses, which include expenses incurred for selling and marketing costs, occupancy and back office support, increased \$21 million, or 3%, to \$679 million for the three months ended March 31, 2012, primarily due to higher costs for legal matters and expense increases associated with the Company's higher stock price. Pension and postretirement benefits costs decreased \$5 million to \$30 million for the three months ended March 31, 2012 from \$35 million for the same prior-year period principally due to the benefit from pre-funding pension plans in 2011. SG&A expenses as a percentage of revenues were 17% and 19% for the three months ended March 31, 2012 and 2011, respectively.

*Impairment Charges*

In April 2012, the Company signed a definitive agreement for the sale of its five owned radio stations in West Palm Beach for \$50 million. During the first quarter of 2012, in connection with the sale, the Company recorded a pre-tax noncash impairment charge of \$11 million to reduce the carrying value of the allocated goodwill.

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**Management's Discussion and Analysis of  
Results of Operations and Financial Condition (Continued)**  
(Tabular dollars in millions, except per share amounts)

*Depreciation and Amortization*

For the three months ended March 31, 2012, depreciation and amortization decreased \$8 million, or 6%, to \$131 million, reflecting reduced capital expenditures in recent years.

*Interest Expense*

For the three months ended March 31, 2012, interest expense remained flat at \$110 million compared to the same prior-year period. The Company had \$5.92 billion of debt outstanding at March 31, 2012 and \$5.99 billion at March 31, 2011, at weighted average interest rates of 6.5% and 6.9%, respectively. During the first quarter, the Company issued \$700 million of 3.375% senior notes and used the net proceeds to redeem its \$700 million of 6.75% senior notes, which will result in annualized interest expense savings of approximately \$22 million, beginning in the second quarter of 2012.

*Interest Income*

For the three months ended March 31, 2012, interest income remained flat at \$2 million compared to the same prior-year period.

*Gain on Early Extinguishment of Debt*

For the three months ended March 31, 2012, gain on early extinguishment of debt of \$25 million reflected the pre-tax gain recognized upon the redemption of the Company's \$700 million of 6.75% senior notes due 2056.

*Other Items, Net*

For the three months ended March 31, 2012 and 2011, "Other items, net" consisted of foreign exchange gains of \$12 million and \$9 million, respectively.

*Provision for Income Taxes*

The provision for income taxes for the three months ended March 31, 2012 increased to \$203 million from \$122 million for the same prior-year period, driven by the increase in earnings before income taxes. The Company's effective income tax rate was 36% for both the three months ended March 31, 2012 and 2011.

*Equity in Loss of Investee Companies, Net of Tax*

For the three months ended March 31, 2012, equity in loss of investee companies, net of tax, improved by \$9 million to a loss of \$5 million, reflecting the Company's share of the operating results of its equity investments.

*Net Earnings*

For the three months ended March 31, 2012, net earnings of \$363 million increased \$161 million, or 80%, from \$202 million for the same prior-year period, principally driven by the growth in operating income.

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**Management's Discussion and Analysis of  
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**Reconciliation of Non-GAAP Financial Information**

Free cash flow is a non-GAAP financial measure. Free cash flow reflects the Company's net cash flow provided by (used for) operating activities less capital expenditures. The Company's calculation of free cash flow includes capital expenditures since investment in capital expenditures is a use of cash that is directly related to the Company's operations. The Company's net cash flow provided by (used for) operating activities is the most directly comparable GAAP financial measure.

Management believes free cash flow provides investors with an important perspective on the cash available to the Company to service debt, make strategic acquisitions and investments, maintain its capital assets, satisfy its tax obligations and fund ongoing operations and working capital needs. As a result, free cash flow is a significant measure of the Company's ability to generate long-term value. It is useful for investors to know whether this ability is being enhanced or degraded as a result of the Company's operating performance. The Company believes the presentation of free cash flow is relevant and useful for investors because it allows investors to evaluate the cash generated from the Company's underlying operations in a manner similar to the method used by management. Free cash flow is one of several components of incentive compensation targets for certain management personnel. In addition, free cash flow is also a primary measure used externally by the Company's investors, analysts and peers in its industry for purposes of valuation and comparing the operating performance of the Company to other companies in its industry.

As free cash flow is not a measure calculated in accordance with GAAP, free cash flow should not be considered in isolation of, or as a substitute for, either net cash flow provided by (used for) operating activities as a measure of liquidity or net earnings (loss) as a measure of operating performance. Free cash flow, as the Company calculates it, may not be comparable to similarly titled measures employed by other companies. In addition, free cash flow as a measure of liquidity has certain limitations, and does not necessarily represent funds available for discretionary use and is not necessarily a measure of the Company's ability to fund its cash needs. When comparing free cash flow to net cash flow provided by (used for) operating activities, the most directly comparable GAAP financial measure, users of this financial information should consider the types of events and transactions which are not reflected in free cash flow.

The following table presents a reconciliation of the Company's net cash flow provided by operating activities, the most directly comparable GAAP financial measure, to free cash flow.

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2012</b>	<b>2011</b>
Net cash flow provided by operating activities	\$ 646	\$ 894
Capital expenditures	(39)	(41)
<b>Free cash flow</b>	<b>\$ 607</b>	<b>\$ 853</b>

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**Management's Discussion and Analysis of  
Results of Operations and Financial Condition (Continued)**  
(Tabular dollars in millions, except per share amounts)

**Segment Results of Operations**

The following tables present the Company's revenues, segment operating income (loss) before depreciation and amortization and impairment charges ("Segment OIBDA before Impairment Charges" or "Segment OIBDA" if there is no impairment charge), operating income (loss), and depreciation and amortization by segment, for the three months ended March 31, 2012 and 2011. The Company presents Segment OIBDA before Impairment Charges (or Segment OIBDA) as the primary measure of profit and loss for its operating segments in accordance with Financial Accounting Standards Board ("FASB") guidance for segment reporting. The Company believes the presentation of Segment OIBDA before Impairment Charges is relevant and useful for investors because it allows investors to view segment performance in a manner similar to the primary method used by the Company's management and enhances their ability to understand the Company's operating performance. The reconciliation of Segment OIBDA before Impairment Charges to the Company's consolidated Net earnings (loss) is presented in Note 13 (Reportable Segments) to the consolidated financial statements.

**Three Months Ended  
March 31,**

**2012                      2011**

<b>Revenues:</b>			
Entertainment	\$	2,318	\$ 1,994
Cable Networks		452	393
Publishing		176	155
Local Broadcasting		622	621
Outdoor		416	413
Eliminations		(60)	(66)
<b>Total Revenues</b>	<b>\$</b>	<b>3,924</b>	<b>\$ 3,510</b>

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**Management's Discussion and Analysis of  
Results of Operations and Financial Condition (Continued)**  
(Tabular dollars in millions, except per share amounts)

	Three Months Ended March 31,	
	2012	2011
<b>Segment OIBDA before Impairment Charges:</b>		
Entertainment	\$ 411	\$ 268
Cable Networks	209	153
Publishing	10	7
Local Broadcasting	171	169
Outdoor	53	49
Corporate	(58)	(52)
Residual costs	(12)	(19)
Eliminations		1
<b>OIBDA before Impairment Charges</b>	<b>784</b>	<b>576</b>
Impairment charges	(11)	
Depreciation and amortization	(131)	(139)
<b>Total Operating Income</b>	<b>\$ 642</b>	<b>\$ 437</b>
<b>Operating Income (Loss):</b>		
Entertainment	\$ 370	\$ 230
Cable Networks	204	147
Publishing	8	5
Local Broadcasting	138	143
Outdoor	(2)	(12)
Corporate	(64)	(58)
Residual costs	(12)	(19)
Eliminations		1
<b>Total Operating Income</b>	<b>\$ 642</b>	<b>\$ 437</b>
<b>Depreciation and Amortization:</b>		
Entertainment	\$ 41	\$ 38
Cable Networks	5	6
Publishing	2	2
Local Broadcasting	22	26
Outdoor	55	61
Corporate	6	6
<b>Total Depreciation and Amortization</b>	<b>\$ 131</b>	<b>\$ 139</b>

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**Management's Discussion and Analysis of  
Results of Operations and Financial Condition (Continued)**  
(Tabular dollars in millions, except per share amounts)

**Entertainment** (CBS Television Network, CBS Television Studios, CBS Studios International, CBS Television Distribution, CBS Films and CBS Interactive)

(Contributed 59% to consolidated revenues for the three months ended March 31, 2012 versus 57% for the comparable prior-year period.)

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2012</b>	<b>2011</b>
Revenues	\$ 2,318	\$ 1,994
OIBDA	\$ 411	\$ 268
Depreciation and amortization	(41)	(38)
Operating income	\$ 370	\$ 230
OIBDA as a % of revenues	18%	13%
Operating income as a % of revenues	16%	12%
Capital expenditures	\$ 17	\$ 14

For the three months ended March 31, 2012, Entertainment revenues increased 16% to \$2.32 billion from \$1.99 billion for the same prior-year period. This growth was led by 37% higher revenues from content licensing and distribution, driven by licensing agreements for digital streaming and higher domestic and international syndication sales, 8% higher advertising revenues, and increases in retransmission revenues. Advertising revenue growth was led by pricing increases for network primetime and sports advertising, as well as the timing of the semifinals of the NCAA Tournament, which aired during the first quarter of 2012 versus the second quarter of 2011. Approximately four percentage points of the advertising growth is attributable to the timing of the NCAA Tournament.

For the three months ended March 31, 2012, Entertainment operating income increased \$140 million, or 61%, to \$370 million and OIBDA increased \$143 million, or 53%, to \$411 million with improved operating income and OIBDA margins of four percentage points and five percentage points to 16% and 18%, respectively. The operating income and OIBDA increases and strong margin growth were driven by increases in high-margin revenues, partially offset by higher sports programming costs primarily associated with the timing of the semifinals of the NCAA Tournament.

**Cable Networks** (Showtime Networks, CBS Sports Network and Smithsonian Networks)

(Contributed 12% to consolidated revenues for the three months ended March 31, 2012 versus 11% for the comparable prior-year period.)

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2012</b>	<b>2011</b>
Revenues	\$ 452	\$ 393
OIBDA	\$ 209	\$ 153
Depreciation and amortization	(5)	(6)



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Operating income \$ 204 \$ 147

OIBDA as a % of revenues	46%	39%
Operating income as a % of revenues	45%	37%
Capital expenditures	\$ 1	\$ 2

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**Management's Discussion and Analysis of  
Results of Operations and Financial Condition (Continued)**  
(Tabular dollars in millions, except per share amounts)

For the three months ended March 31, 2012, Cable Networks revenues increased 15% to \$452 million from \$393 million for the same prior-year period driven by higher licensing revenues from digital streaming, international syndication and home entertainment sales of *Showtime* original series. Revenue growth also reflects higher affiliate revenues mainly driven by rate increases and growth in subscriptions at Showtime Networks and Smithsonian Networks. As of March 31, 2012 subscriptions totaled 73 million for Showtime Networks, including *Showtime*, *The Movie Channel* and *Flix*, 45 million for CBS Sports Network and 14 million for Smithsonian Networks.

For the three months ended March 31, 2012, Cable Networks operating income increased \$57 million, or 39%, to \$204 million and OIBDA increased \$56 million, or 37%, to \$209 million from the same prior-year period, with improved operating income and OIBDA margins of eight percentage points and seven percentage points to 45% and 46%, respectively. This strong growth was driven by the increase in revenues as well as a decline in advertising and theatrical programming expenses as a result of the timing of programming exhibited on *Showtime*. Programming expenses are recognized in the period the program is exhibited which may cause fluctuations and impact the comparability of future operating income and operating income margins on a quarterly basis.

**Publishing** (*Simon & Schuster*)

(Contributed 4% to consolidated revenues for both the three months ended March 31, 2012 and 2011.)

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2012</b>	<b>2011</b>
Revenues	\$ 176	\$ 155
OIBDA	\$ 10	\$ 7
Depreciation and amortization	(2)	(2)
Operating income	\$ 8	\$ 5
OIBDA as a % of revenues	6%	5%
Operating income as a % of revenues	5%	3%
Capital expenditures	\$	\$

For the three months ended March 31, 2012, Publishing revenues increased 14% to \$176 million from \$155 million for the same prior-year period reflecting strong growth in digital sales, as well as higher print book sales. Sales of digital content increased 64% and represented approximately 26% of total Publishing revenues in the first quarter of 2012. Best selling titles in the first quarter of 2012 include *Kill Shot* by Vince Flynn and *Lone Wolf* by Jodi Picoult. The first quarter of 2012 also benefited from the continued success of fourth quarter 2011 releases *Steve Jobs* by Walter Isaacson and *11/22/63* by Stephen King.

For the three months ended March 31, 2012, Publishing operating income increased \$3 million to \$8 million and OIBDA increased \$3 million to \$10 million from the same prior-year period, driven by the revenue growth, partially offset by higher costs related to legal matters.

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**Management's Discussion and Analysis of  
Results of Operations and Financial Condition (Continued)**  
(Tabular dollars in millions, except per share amounts)

**Local Broadcasting** (*CBS Television Stations and CBS Radio*)

(Contributed 16% to consolidated revenues for the three months ended March 31, 2012 versus 18% for the comparable prior-year period.)

	Three Months Ended	
	March 31,	
	2012	2011
Revenues	\$ 622	\$ 621
OIBDA before impairment charges	\$ 171	\$ 169
Impairment charges	(11)	
Depreciation and amortization	(22)	(26)
Operating income	\$ 138	\$ 143
OIBDA before impairment charges as a % of revenues	27%	27%
Operating income as a % of revenues	22%	23%
Capital expenditures	\$ 10	\$ 12

For the three months ended March 31, 2012, Local Broadcasting revenues of \$622 million remained flat compared with the same prior-year period. Increased spending by automotive manufacturers and retailers, as well as higher retransmission revenues, were offset by lower advertising spending from the utilities and service industries. For the first quarter of 2012, CBS Television Stations revenues increased 2% from the same quarter last year, while CBS Radio revenues decreased 2%.

For the three months ended March 31, 2012, Local Broadcasting operating income decreased \$5 million, or 3%, to \$138 million from \$143 million for the same prior-year period. Included in 2012 operating income was a pre-tax noncash impairment charge of \$11 million to reduce the carrying value of the allocated goodwill in connection with the sale of certain radio stations. Local Broadcasting OIBDA before impairment charges increased \$2 million, or 1%, to \$171 million from \$169 million for the same prior-year period, primarily driven by the revenue growth.

*Acquisitions*

On March 30, 2012, the Company completed the acquisition of WLNY-TV, an independent television station in New York.

On January 25, 2012, the Company completed the acquisition of WFSI-FM (now known as WLZL-FM), a radio station in the Washington, D.C. area.

*Dispositions*

In April 2012, the Company signed a definitive agreement for the sale of its five owned radio stations in West Palm Beach for \$50 million. During the first quarter of 2012, in connection with the sale, the Company recorded a pre-tax noncash impairment charge of \$11 million to reduce the carrying value of the allocated goodwill.

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**Outdoor** (*CBS Outdoor*)

(Contributed 11% to consolidated revenues for the three months ended March 31, 2012 versus 12% for the comparable prior-year period.)

	Three Months Ended	
	March 31,	
	2012	2011
Revenues	\$ 416	\$ 413
OIBDA	\$ 53	\$ 49
Depreciation and amortization	(55)	(61)
Operating loss	\$ (2)	\$ (12)
OIBDA as a % of revenues	13%	12%
Capital expenditures	\$ 11	\$ 12

For the three months ended March 31, 2012, Outdoor revenues increased 1% to \$416 million from \$413 million for the same prior-year period, driven by increased revenues in the Americas (comprising North America and South America) partially offset by the unfavorable impact of foreign exchange rate changes. Revenues for the Americas increased 4% in constant dollars, reflecting growth in the U.S. billboards and displays businesses partially offset by the impact of the nonrenewal of the Toronto transit contract. This nonrenewal negatively affected the Americas revenue comparison by two percentage points. Revenues for Europe decreased 2% in constant dollars, principally driven by the nonrenewal of certain contracts as well as weakness in the European economy. Approximately 41% and 44% of Outdoor revenues were generated from regions outside the United States for the three months ended March 31, 2012 and 2011, respectively.

For the three months ended March 31, 2012, Outdoor reported an operating loss of \$2 million versus an operating loss of \$12 million for the same prior-year period. Outdoor OIBDA increased \$4 million, or 8%, to \$53 million from \$49 million for the same prior-year period principally due to the revenue growth.

Due to the challenging advertising marketplace worldwide, certain transit contracts, including the London Underground contract, are operating at their minimum guarantee levels.

**Corporate**

For the three months ended March 31, 2012, corporate expenses increased 10% to \$64 million from \$58 million for the same prior-year period, reflecting increased compensation expenses primarily associated with the Company's higher stock price.

**Residual Costs**

Residual costs primarily include pension and postretirement benefits costs for benefit plans retained by the Company for previously divested businesses. For the three months ended March 31, 2012, residual costs decreased 37% to \$12 million from \$19 million for the same prior-year period, primarily due to the benefit from the prefunding of pension plans during 2011.

**Financial Position**

Current assets increased by \$240 million to \$5.78 billion at March 31, 2012 from \$5.54 billion at December 31, 2011, primarily due to an increase in cash and the timing of the broadcast of sports



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programs, which increased receivables and decreased prepaid program rights. The allowance for doubtful accounts as a percentage of receivables was 3.3% and 3.4% at March 31, 2012 and December 31, 2011, respectively.

Net property and equipment of \$2.46 billion at March 31, 2012 decreased \$52 million from \$2.51 billion at December 31, 2011, primarily reflecting depreciation expense of \$104 million, partially offset by capital expenditures of \$39 million and foreign currency translation adjustments.

Current liabilities increased by \$217 million to \$4.15 billion at March 31, 2012 from \$3.93 billion at December 31, 2011, primarily reflecting higher sports programming rights related to the timing of the NCAA Tournament.

**Cash Flows**

Cash and cash equivalents increased by \$134 million and \$492 million for the three months ended March 31, 2012 and 2011, respectively. The changes in cash and cash equivalents were as follows:

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2012</b>	<b>2011</b>
Cash provided by operating activities	\$ 646	\$ 894
Cash flow used for investing activities	(140)	(103)
Cash flow used for financing activities	(372)	(299)
Net increase in cash and cash equivalents	\$ 134	\$ 492

**Operating Activities.** For the three months ended March 31, 2012, cash provided by operating activities decreased \$248 million to \$646 million from \$894 million for the same prior-year period as the increase in net earnings was more than offset by lower contributions from working capital, primarily reflecting the timing of programming payments and increases in long-term receivables related to multiyear digital streaming agreements.

Cash paid for income taxes for the three months ended March 31, 2012 was \$21 million versus \$19 million for the three months ended March 31, 2011.

**Investing Activities.** Cash used for investing activities of \$140 million for the three months ended March 31, 2012 principally reflected capital expenditures of \$39 million, payments for acquisitions of \$69 million primarily reflecting the acquisitions of a television station and a radio station, and investment in investee companies of \$34 million. Cash used for investing activities of \$103 million for the three months ended March 31, 2011 principally reflected capital expenditures of \$41 million, payments for acquisitions of \$53 million, primarily for internet businesses, and investments in investee companies of \$26 million.

**Financing Activities.** Cash used for financing activities of \$372 million for the three months ended March 31, 2012 principally reflected the repayment of notes of \$700 million, the repurchase of CBS Corp. Class B Common Stock for \$260 million, payment of employee payroll taxes in lieu of issuing shares for restricted stock unit ("RSU") vests of \$87 million and dividend payments of \$69 million, partially offset by proceeds from the issuance of notes of \$690 million and the excess tax benefit from stock-based compensation of \$56 million. Cash used for financing activities of \$299 million for the three months ended March 31, 2011 principally reflected the repurchase of CBS Corp. Class B Common Stock for \$250 million and the payment of employee payroll taxes in lieu of issuing shares for RSU vests of \$46 million.

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**Repurchase of Company Stock and Cash Dividends**

During the first quarter of 2012, the Company repurchased 9.0 million shares of CBS Corp. Class B Common Stock for \$269 million, on a trade date basis, at an average cost of \$30.03 per share. Since the inception of the share repurchase program in January of 2011, the Company has repurchased 51.2 million shares for \$1.29 billion, at an average cost of \$25.17 per share, leaving \$1.71 billion of authorization remaining at March 31, 2012.

During the first quarter of 2012, the Company declared a quarterly cash dividend of \$.10 per share on its Class A and Class B Common Stock payable on April 1, 2012. The total dividend was \$66 million of which \$65 million was paid on April 1, 2012 and \$1 million was accrued to be paid upon vesting of RSUs. During the first quarter of 2012, the Company paid \$69 million for the dividend declared during the fourth quarter of 2011 and for dividend payments on RSUs that vested during the first quarter of 2012.

**Capital Structure**

The following table sets forth the Company's debt.

	At March 31, 2012	At December 31, 2011
Senior debt (3.375% 8.875% due 2012 2056)	\$ 5,871	\$ 5,925
Obligations under capital leases	74	78
<b>Total debt</b>	<b>5,945</b>	<b>6,003</b>
Less discontinued operations debt <sup>(b)</sup>	21	21
<b>Total debt from continuing operations</b>	<b>5,924</b>	<b>5,982</b>
Less current portion	22	24
<b>Total long-term debt from continuing operations, net of current portion</b>	<b>\$ 5,902</b>	<b>\$ 5,958</b>

(a) At March 31, 2012 and December 31, 2011, the senior debt balances included (i) a net unamortized (discount) premium of \$(2) million and \$4 million, respectively, and (ii) an increase in the carrying value of the debt relating to previously settled fair value hedges of \$27 million and \$75 million, respectively. The face value of the Company's senior debt was \$5.85 billion at both March 31, 2012 and December 31, 2011.

(b) Included in "Liabilities of discontinued operations" on the Consolidated Balance Sheets.

The senior debt of CBS Corp. is fully and unconditionally guaranteed by its wholly owned subsidiary, CBS Operations Inc. Senior debt in the amount of \$52 million of the Company's wholly owned subsidiary, CBS Broadcasting Inc., has no guarantor.

At March 31, 2012, the Company classified \$490 million of senior notes and debentures maturing in August 2012 as long-term debt on the Consolidated Balance Sheet, reflecting its intent and ability to refinance this debt on a long-term basis.

During the first quarter of 2012, the Company issued \$700 million of 3.375% senior notes due 2022. The net proceeds were used to redeem the Company's \$700 million of 6.75% senior notes due 2056, resulting in a pre-tax gain on early extinguishment of debt of \$25 million.





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***Credit Facility***

At March 31, 2012, the Company had a \$2.0 billion revolving credit facility which expires in March 2015 (the "Credit Facility"). The Credit Facility requires the Company to maintain a maximum Consolidated Leverage Ratio of 4.0x at the end of each quarter and a minimum Consolidated Coverage Ratio of 3.0x for the trailing four quarters, each as further described in the Credit Facility. At March 31, 2012, the Company's Consolidated Leverage Ratio was approximately 1.7x and Consolidated Coverage Ratio was approximately 8.3x.

The Consolidated Leverage Ratio reflects the ratio of the Company's indebtedness from continuing operations, adjusted to exclude certain capital lease obligations, at the end of a quarter, to the Company's Consolidated EBITDA for the trailing four consecutive quarters. Consolidated EBITDA is defined in the Credit Facility as operating income plus interest income and before depreciation, amortization and certain other noncash items. The Consolidated Coverage Ratio reflects the ratio of Consolidated EBITDA to the Company's cash interest expense on indebtedness, adjusted to exclude certain capital lease obligations, in each case for the trailing four consecutive quarters.

The primary purpose of the Credit Facility is to support commercial paper borrowings. At March 31, 2012, the Company had no commercial paper borrowings under its \$2.0 billion commercial paper program. At March 31, 2012, the remaining availability under the Credit Facility, net of outstanding letters of credit, was \$1.98 billion.

**Liquidity and Capital Resources**

The Company continually projects anticipated cash requirements for its operating, investing and financing needs as well as cash flows generated from operating activities available to meet these needs. The Company's operating needs include, among other items, commitments for sports programming rights, television and film programming, talent contracts, franchise payments, interest payments, and pension funding obligations. The Company's investing and financing spending includes capital expenditures, share repurchases, dividends and principal payments on its outstanding indebtedness. The Company believes that its operating cash flows, cash and cash equivalents, borrowing capacity under its Credit Facility, which had \$1.98 billion of remaining availability at March 31, 2012, and access to capital markets are sufficient to fund its operating, investing and financing requirements for the next twelve months.

The Company's funding for short-term and long-term obligations will come primarily from cash flows from operating activities. Any additional cash funding requirements are financed with short-term borrowings, including commercial paper, and long-term debt. To the extent that commercial paper is not available to the Company, the existing Credit Facility provides sufficient capacity to satisfy short-term borrowing needs.

Funding for the Company's long-term debt obligations due over the next five years of \$1.19 billion is expected to come from cash generated from operating activities and the Company's ability to refinance its debt.

***Off-Balance Sheet Arrangements***

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. At March 31, 2012, the outstanding letters of credit and surety bonds approximated \$395 million and were not recorded on the Consolidated Balance Sheet.

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In the course of its business, the Company both provides and receives indemnities which are intended to allocate certain risks associated with business transactions. Similarly, the Company 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 obligation. The Company records a liability for its indemnification obligations and other contingent liabilities when probable under GAAP.

**Legal Matters**

*Securities Action.* On December 12, 2008, the City of Pontiac General Employees' Retirement System filed a self-styled class action complaint in the United States District Court for the Southern District of New York against the Company and its Chief Executive Officer, Chief Financial Officer, Chief Accounting Officer, and Treasurer, alleging violations of federal securities law. The complaint, which was filed on behalf of a putative class of purchasers of the Company's common stock between February 26, 2008 and October 10, 2008 (the "Class Period"), alleges that, among other things, the Company's failure to timely write down the value of certain assets caused the Company's reported operating results during the Class Period to be materially inflated. The plaintiffs seek unspecified compensatory damages. On February 11, 2009, a motion was filed in the case on behalf of The City of Omaha, Nebraska Civilian Employees' Retirement System, and The City of Omaha Police and Fire Retirement System (collectively, the "Omaha Funds") seeking to appoint the Omaha Funds as the lead plaintiffs in this case; on March 5, 2009, the court granted that motion. On May 4, 2009, the plaintiffs filed an Amended Complaint, which removes the Treasurer as a defendant and adds the Executive Chairman. On July 13, 2009, all defendants filed a motion to dismiss this action. On March 16, 2010, the court granted the Company's motion and dismissed this action as to the Company and all defendants. On April 30, 2010, the plaintiffs filed a motion for leave to serve an amended complaint. On September 23, 2010, the court issued an order granting leave to amend. On October 8, 2010, the Company was served with an Amended Complaint, which redefines the Class Period to be April 29, 2008 to October 10, 2008 and alleges that the impairment charge should have been taken during the first quarter of 2008. The Company filed a motion to dismiss this Amended Complaint on November 19, 2010. On May 24, 2011, the court granted the motion to dismiss and entered judgment in favor of defendants on May 25, 2011. On June 23, 2011, plaintiffs filed a notice of appeal with the United States Court of Appeals for the Second Circuit and, on March 14, 2012, the Second Circuit heard oral argument on plaintiffs' appeal.

*E-books Matters.* A number of lawsuits described below are pending against the following parties relating to the sale of e-books: Apple Inc., Hachette Book Group, Inc., HarperCollins Publishers, LLC, Holtzbrinck Publishers LLC d/b/a Macmillan, Penguin Group (USA) Inc. and the Company's subsidiary, Simon & Schuster, Inc. (collectively, the "Publishing parties").

On April 10, 2012, for purposes of settlement and without any admission of liability, Simon & Schuster and two of the other Publishing parties entered into a settlement stipulation and proposed final judgment (the "Stipulation") with the United States Department of Justice (the "DOJ") in connection with the DOJ's investigations of agency distribution of e-books. In furtherance of this settlement, on April 11, 2012, the DOJ filed an antitrust action in the United States District Court for the Southern District of New York against the Publishing parties and concurrently filed the Stipulation with the court. The Stipulation, which is subject to final approval by the court, does not involve any monetary payments by Simon & Schuster, but will require the adoption of certain business practices for a 24 month period and certain compliance practices for a five year period.

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On December 9, 2011, the United States Judicial Panel on Multidistrict Litigation (the "MDL") issued an order consolidating in the United States District Court for the Southern District of New York various purported class action suits that private litigants had filed in federal courts in California and New York. On January 20, 2012, the plaintiffs filed a consolidated amended class action complaint with the court against the Publishing parties. These private litigant plaintiffs, who are e-book purchasers, allege that, among other things, the defendants are in violation of federal and/or state antitrust laws in connection with the sale of e-books pursuant to agency distribution arrangements between each of the publishers and e-book retailers. The consolidated amended class action complaint generally seeks multiple forms of damages for the purchase of e-books and injunctive and other relief. On March 2, 2012, the Publishing parties filed a motion to dismiss this action.

Commencing on February 24, 2012, similar antitrust suits have been filed against the Publishing parties by private litigants in Canada, purportedly as class actions. On April 11, 2012, a number of states and the Commonwealth of Puerto Rico filed an antitrust action against several of the Publishing parties in Texas federal court, which was transferred to the United States District Court for the Southern District of New York ("States") on April 30, 2012. Simon & Schuster intends to vigorously defend itself in the MDL, Canadian and States litigations.

In addition, the competition authority in the European Community is conducting a competition investigation of agency distribution arrangements of e-books in this industry and Simon & Schuster is cooperating with this investigation.

*Indecency Regulation.* In March 2006, the FCC released certain decisions relating to indecency complaints against certain of the Company's owned television stations and affiliated stations. The FCC ordered the Company to pay a forfeiture of \$550,000 in the proceeding relating to the broadcast of a Super Bowl half-time show by the Company's television stations (the "Super Bowl Proceeding"). In May 2006, the FCC denied the Company's petition for reconsideration. In July 2006, the Company filed a Petition for Review of the forfeiture with the United States Court of Appeals for the Third Circuit and paid the \$550,000 forfeiture in order to facilitate the Company's ability to bring the appeal. Oral argument was heard in September 2007. In July 2008, the Third Circuit vacated the FCC's order to have the Company pay the forfeiture and remanded the case to the FCC. On November 18, 2008, the FCC filed a petition for certiorari with the United States Supreme Court, seeking review of the Third Circuit's decision. The petition requested that the United States Supreme Court not act on the petition until it ruled in the "fleeting expletives case" mentioned below. On January 8, 2009, the Company filed its opposition to the FCC's petition for certiorari.

In another case involving broadcasts on another network, in June 2007, the United States Court of Appeals for the Second Circuit vacated the FCC's November 2006 finding that the broadcast of fleeting and isolated expletives was indecent and remanded the case to the FCC (the "fleeting expletives case"). On March 17, 2008, the United States Supreme Court granted the FCC's petition to review the United States Court of Appeals for the Second Circuit's decision. On November 4, 2008, the United States Supreme Court heard argument in this case. On April 28, 2009, the United States Supreme Court issued a 5-4 decision reversing the Second Circuit's judgment on administrative grounds in favor of the FCC and remanding the fleeting expletives case to the Second Circuit. The Second Circuit requested additional briefing and argument was heard on January 13, 2010. On July 13, 2010, the Second Circuit struck down an FCC policy on indecency and found that the FCC's indecency policies and decisions regarding the use of "fleeting expletives" on radio and television violated the First Amendment. On August 25, 2010, the FCC filed a petition for rehearing en banc and, on August 31, 2010, the Second

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Circuit issued an order directing all parties and intervenors to file briefs in response to the FCC's petition on September 21, 2010, which were filed. On November 22, 2010, the Second Circuit denied the FCC's petition for rehearing. On April 21, 2011, the FCC filed a combined petition for certiorari seeking review of the Second Circuit's decision in this case and also in an indecency case involving a broadcast on another television network. On June 27, 2011, the United States Supreme Court granted the FCC's petition for certiorari. On January 10, 2012, the United States Supreme Court heard oral argument in these cases.

Following the April 28, 2009 decision in the fleeting expletives case, on May 4, 2009, the United States Supreme Court remanded the Super Bowl Proceeding to the United States Court of Appeals for the Third Circuit and requested supplemental briefing from the Company and the FCC, in light of the United States Supreme Court's fleeting expletives decision. Argument was heard by the Third Circuit in the Super Bowl Proceeding on February 23, 2010. On May 18, 2010 and on December 22, 2010, at the Third Circuit's request, the Company and the FCC each submitted supplemental briefs. On November 2, 2011, the Third Circuit upheld its earlier decision to vacate the FCC's order to have the Company pay the \$550,000 forfeiture. On April 17, 2012, the FCC filed a petition for certiorari with the United States Supreme Court seeking review of the Third Circuit decision.

In March 2006, the FCC also notified the Company and certain affiliates of the CBS Television Network of apparent liability for forfeitures relating to a broadcast of the program *Without a Trace*. The FCC proposed to assess a forfeiture of \$32,500 against each of these stations, totaling \$260,000 for the Company's owned stations. The Company is contesting the FCC decision and the proposed forfeitures.

Additionally, the Company, from time to time, has received and may receive in the future letters of inquiry from the FCC prompted by complaints alleging that certain programming on the Company's broadcasting stations included indecent material.

*Claims Related to Former Businesses: Asbestos.* The Company is a defendant in lawsuits claiming various personal injuries related to asbestos and other materials, which allegedly occurred principally as a result of exposure caused by various products manufactured by Westinghouse, a predecessor, generally prior to the early 1970s. Westinghouse was neither a producer nor a manufacturer of asbestos. The Company is typically named as one of a large number of defendants in both state and federal cases. In the majority of asbestos lawsuits, the plaintiffs have not identified which of the Company's products is the basis of a claim. Claims against the Company in which a product has been identified principally relate to exposures allegedly caused by asbestos-containing insulating material in turbines sold for power-generation, industrial and marine use, or by asbestos-containing grades of decorative micarta, a laminate used in commercial ships.

Claims are frequently filed and/or settled in groups, which may make the amount and timing of settlements, and the number of pending claims, subject to significant fluctuation from period to period. The Company does not report as pending those claims on inactive, stayed, deferred or similar dockets which some jurisdictions have established for claimants who allege minimal or no impairment. As of March 31, 2012, the Company had pending approximately 48,650 asbestos claims, as compared with approximately 50,090 as of December 31, 2011 and 52,230 as of March 31, 2011. During the first quarter of 2012, the Company received approximately 1,090 new claims and closed or moved to an inactive docket approximately 2,530 claims. The Company reports claims as closed when it becomes aware that a dismissal order has been entered by a court or when the Company has reached agreement with the claimants on the material terms of a settlement. Settlement costs depend on the seriousness of

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the injuries that form the basis of the claim, the quality of evidence supporting the claims and other factors. The Company's total costs for the years 2011 and 2010 for settlement and defense of asbestos claims after insurance recoveries and net of tax benefits were approximately \$33 million and \$14 million, respectively. The Company's costs for settlement and defense of asbestos claims may vary year to year as insurance proceeds are not always recovered in the same period as the insured portion of the expenses.

Filings include claims for individuals suffering from mesothelioma, a rare cancer, the risk of which is allegedly increased by exposure to asbestos; lung cancer, a cancer which may be caused by various factors, one of which is alleged to be asbestos exposure; other cancers, and conditions that are substantially less serious, including claims brought on behalf of individuals who are asymptomatic as to an allegedly asbestos-related disease. The predominant number of claims against the Company are non-cancer claims. In a substantial number of the pending claims, the plaintiff has not yet identified the claimed injury. The Company believes that its reserves and insurance are adequate to cover its asbestos liabilities. This belief is based upon many factors and assumptions, including the number of outstanding claims, estimated average cost per claim, the breakdown of claims by disease type, historic claim filings, costs per claim of resolution and the filing of new claims. While the number of asbestos claims filed against the Company has trended down in recent years, it is difficult to predict future asbestos liabilities, as events and circumstances may occur including, among others, the number and types of claims and average cost to resolve such claims, which could affect the Company's estimate of its asbestos liabilities.

*Other.* The Company from time to time receives claims from federal and state environmental regulatory agencies and other entities asserting that it is or may be liable for environmental cleanup costs and related damages principally relating to historical and predecessor operations of the Company. In addition, the Company from time to time receives personal injury claims including toxic tort and product liability claims (other than asbestos) arising from historical operations of the Company and its predecessors.

*General.* On an ongoing basis, the Company vigorously defends itself in numerous lawsuits and proceedings and responds to various investigations and inquiries from federal, state and local authorities (collectively, "litigation"). Litigation may be brought against the Company without merit, is inherently uncertain and always difficult to predict. However, based on its understanding and evaluation of the relevant facts and circumstances, the Company believes that the above-described legal matters and other litigation to which it 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. Under the Separation Agreement between the Company and Viacom Inc., the Company and Viacom Inc. have agreed to defend and indemnify the other in certain litigation in which the Company and/or Viacom Inc. is named.

**Related Parties**

*National Amusements, Inc.* National Amusements, Inc. ("NAI") is the controlling stockholder of CBS Corp. and Viacom Inc. Mr. Sumner M. Redstone, the controlling stockholder, chairman of the board of directors and chief executive officer of NAI, is the Executive Chairman of the Board of Directors and founder of both CBS Corp. and Viacom Inc. In addition, Ms. Shari Redstone, Mr. Sumner M. Redstone's daughter, is the president and a director of NAI and the vice chair of the Board of Directors of both CBS Corp. and Viacom Inc. Mr. David R. Andelman is a director of CBS Corp. and serves as a director of NAI. Mr. Frederic V. Salerno is a director of CBS Corp. and serves as a director of Viacom Inc. At March 31, 2012, NAI directly or indirectly owned approximately 79% of CBS Corp.'s

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voting Class A Common Stock, and owned approximately 6% of CBS Corp.'s Class A Common Stock and non-voting Class B Common Stock on a combined basis.

*Viacom Inc.* As part of its normal course of business, the Company enters into transactions with Viacom Inc. and its subsidiaries. Through its Entertainment segment, the Company licenses its television products and leases its production facilities to Viacom Inc., primarily MTV Networks and BET Networks. In addition, the Company recognizes revenues for advertising spending placed by various subsidiaries of Viacom Inc., primarily Paramount Pictures and MTV Networks. Viacom Inc. also distributes certain of the Company's television products in the home entertainment market. The Company's total revenues from these transactions were \$64 million and \$51 million for the three months ended March 31, 2012 and 2011, respectively.

The Company places advertisements with, and leases production facilities, licenses programming and purchases other goods and services from various subsidiaries of Viacom Inc. The total amounts for these transactions were \$6 million for both the three months ended March 31, 2012 and 2011.

The following table presents the amounts due from and due to Viacom Inc. in the normal course of business as reflected on the Company's Consolidated Balance Sheets.

	At March 31, 2012	At December 31, 2011
<b>Amounts due from Viacom Inc.</b>		
Receivables	\$ 105	\$ 102
Other assets (Receivables, noncurrent)	179	198
<b>Total amounts due from Viacom Inc.</b>	<b>\$ 284</b>	<b>\$ 300</b>
<b>Amounts due to Viacom Inc.</b>		
Accounts payable	\$ 1	\$ 3
Program rights	2	2
<b>Total amounts due to Viacom Inc.</b>	<b>\$ 3</b>	<b>\$ 5</b>

*Other Related Parties* The Company has equity interests in a domestic television network and several international joint ventures for television channels, from which the Company earns revenues primarily by selling its television programming. Total revenues earned from these joint ventures were \$36 million and \$33 million for the three months ended March 31, 2012 and 2011, respectively.

The Company, through the normal course of business, is involved in transactions with other related parties that have not been material in any of the periods presented.

#### Adoption of New Accounting Standards

##### *Fair Value Measurements*

During the first quarter of 2012, the Company adopted the FASB's amended guidance which clarifies the FASB's intent about the application of existing fair value measurement requirements and changes certain principles and requirements for measuring fair value and for disclosing information about fair value measurements. The adoption of this guidance did not have a material effect on the Company's consolidated financial statements.

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**Recent Pronouncements**

*Disclosures about Offsetting Assets and Liabilities*

In December 2011, the FASB issued guidance which requires disclosure of both gross and net information about financial instruments and derivative instruments eligible for offset in the balance sheet as well as financial instruments and derivative instruments subject to a master netting arrangement regardless of whether they are offset. The adoption of this guidance, which is effective for reporting periods beginning January 1, 2013, is not expected to have a material effect on the Company's consolidated financial statements.

**Critical Accounting Policies**

See Item 7, Management's Discussion and Analysis of Results of Operations and Financial Condition in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2011, for a discussion of the Company's critical accounting policies.

**Cautionary Statement Concerning Forward-Looking Statements**

This quarterly report on Form 10-Q, including "Item 2 Management's Discussion and Analysis of Results of Operations and Financial Condition," contains both historical and forward-looking statements. All statements other than 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 the Company's current expectations concerning future results and events. These 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 the Company's 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 the actual results, performance or achievements of the Company to be different from any future results, performance and achievements expressed or implied by these statements. These risks, uncertainties and other factors include, among others: advertising market conditions generally; changes in the public acceptance of the Company's programming; changes in technology and its effect on competition in the Company's markets; changes in the federal communications laws and regulations; the impact of piracy on the Company's products; the impact of consolidation in the market for the Company's programming; the impact of union activity, including possible strikes or work stoppages or the Company's inability to negotiate favorable terms for contract renewals; other domestic and global economic, business, competitive and/or regulatory factors affecting the Company's businesses generally; and other factors described in the Company's news releases and filings made under the securities laws, including, among others, those set forth under "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2011 and in our Quarterly Reports on Form 10-Q. There may be additional risks, uncertainties and factors that the Company does not currently view as material or that are not necessarily known. The forward-looking statements included in this document are made as of the date of this document and the Company does not have any obligation to publicly update any forward-looking statements to reflect subsequent events or circumstances.

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**Management's Discussion and Analysis of  
Results of Operations and Financial Condition (Continued)**  
(Tabular dollars in millions, except per share amounts)

**Item 3. Quantitative and Qualitative Disclosures about Market Risk.**

There have been no significant changes to market risk since reported in the Company's Annual Report on Form 10-K for the year ended December 31, 2011.

**Item 4. Controls and Procedures.**

The Company's chief executive officer and chief financial officer have concluded that, as of the end of the period covered by this report, the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) of the Securities Exchange Act of 1934, as amended) were effective, based on the evaluation of these controls and procedures required by Rule 13a-15(b) or 15d-15(b) of the Securities Exchange Act of 1934, as amended.

No change in the Company's internal control over financial reporting occurred during the Company's last fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.



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**PART II OTHER INFORMATION**

**Item 1. Legal Proceedings.**

The following information supplements and amends the disclosure set forth in Part I, Item 3. Legal Proceedings in the Company's Annual Report on Form 10-K for the year ended December 31, 2011.

*E-books Matters.* A number of lawsuits described below are pending against the following parties relating to the sale of e-books: Apple Inc., Hachette Book Group, Inc., HarperCollins Publishers, LLC, Holtzbrinck Publishers LLC d/b/a Macmillan, Penguin Group (USA) Inc. and the Company's subsidiary, Simon & Schuster, Inc. (collectively, the "Publishing parties").

On April 10, 2012, for purposes of settlement and without any admission of liability, Simon & Schuster and two of the other Publishing parties entered into a settlement stipulation and proposed final judgment (the "Stipulation") with the United States Department of Justice (the "DOJ") in connection with the DOJ's investigations of agency distribution of e-books. In furtherance of this settlement, on April 11, 2012, the DOJ filed an antitrust action in the United States District Court for the Southern District of New York against the Publishing parties and concurrently filed the Stipulation with the court. The Stipulation, which is subject to final approval by the court, does not involve any monetary payments by Simon & Schuster, but will require the adoption of certain business practices for a 24 month period and certain compliance practices for a five year period.

On December 9, 2011, the United States Judicial Panel on Multidistrict Litigation (the "MDL") issued an order consolidating in the United States District Court for the Southern District of New York various purported class action suits that private litigants had filed in federal courts in California and New York. On January 20, 2012, the plaintiffs filed a consolidated amended class action complaint with the court against the Publishing parties. These private litigant plaintiffs, who are e-book purchasers, allege that, among other things, the defendants are in violation of federal and/or state antitrust laws in connection with the sale of e-books pursuant to agency distribution arrangements between each of the publishers and e-book retailers. The consolidated amended class action complaint generally seeks multiple forms of damages for the purchase of e-books and injunctive and other relief. On March 2, 2012, the Publishing parties filed a motion to dismiss this action.

Commencing on February 24, 2012, similar antitrust suits have been filed against the Publishing parties by private litigants in Canada, purportedly as class actions. On April 11, 2012, a number of states and the Commonwealth of Puerto Rico filed an antitrust action against several of the Publishing parties in Texas federal court, which was transferred to the United States District Court for the Southern District of New York ("States") on April 30, 2012. Simon & Schuster intends to vigorously defend itself in the MDL, Canadian and States litigations.

In addition, the competition authority in the European Community is conducting a competition investigation of agency distribution arrangements of e-books in this industry and Simon & Schuster is cooperating with this investigation.

Table of Contents**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.****Company Purchases of Equity Securities**

On November 4, 2010, the Company announced that its Board of Directors approved a \$1.5 billion share repurchase program. On November 3, 2011, the Company announced that its Board of Directors approved a \$1.5 billion increase to this share repurchase program. Below is a summary of CBS Corp.'s purchases of its Class B Common Stock during the three months ended March 31, 2012 under this publicly announced share repurchase program.

(In millions, except per share amounts)		Total Number of Shares Purchased	Average Price Per Share	Total Number of Shares Purchased as Part of Publicly Announced Programs	Remaining Authorization
January 1, 2012	January 31, 2012	2.0	\$ 28.39	2.0	\$ 1,926
February 1, 2012	February 29, 2012	2.7	\$ 29.62	2.7	\$ 1,845
March 1, 2012	March 31, 2012	4.3	\$ 31.02	4.3	\$ 1,712
Total		9.0	\$ 30.03	9.0	\$ 1,712

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**Item 6. Exhibits.**

**Exhibit  
No.**

**Description of Document**

**(4) Instruments defining the rights of security holders, including indentures.**

- (a) Amended and Restated Senior Indenture dated as of November 3, 2008 ("2008 Indenture") between CBS Corporation, CBS Operations Inc., and The Bank of New York Mellon, as senior trustee (incorporated by reference to Exhibit 4.1 to the Registration Statement on Form S-3 filed by CBS Corporation on November 3, 2008 (Registration No. 333-154962) (File No. 001-09553)).
- (b) First Supplemental Indenture to 2008 Indenture dated as of April 5, 2010 between CBS Corporation, CBS Operations Inc., and Deutsche Bank Trust Company Americas, as senior trustee (incorporated by reference to Exhibit 4.3 to the Current Report on Form 8-K filed by CBS Corporation on April 5, 2010 (File No. 001-09553)).

The other instruments defining the rights of holders of the long-term debt securities of CBS Corporation and its subsidiaries are omitted pursuant to section (b)(4)(iii)(A) of Item 601 of Regulation S-K. CBS Corporation hereby agrees to furnish copies of these instruments to the Securities and Exchange Commission upon request.

**(12) Statement Regarding Computation of Ratios (filed herewith)**

**(31) Rule 13a-14(a)/15d-14(a) Certifications**

- (a) Certification of the Chief Executive Officer of CBS Corporation pursuant to Rule 13a-14(a), or 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes Oxley Act of 2002 (filed herewith).
- (b) Certification of the Chief Financial Officer of CBS Corporation pursuant to Rule 13a-14(a), or 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes Oxley Act of 2002 (filed herewith).

**(32) Section 1350 Certifications**

- (a) Certification of the Chief Executive Officer of CBS Corporation furnished pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002 (furnished herewith).
- (b) Certification of the Chief Financial Officer of CBS Corporation furnished pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002 (furnished herewith).

**(101) Interactive Data File**

The following materials from CBS Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 2012, formatted in XBRL (Extensible Business Reporting Language), are collectively included herewith as Exhibit 101:

- 101. INS XBRL Instance Document.
- 101. SCH XBRL Taxonomy Extension Schema.
- 101. CAL XBRL Taxonomy Extension Calculation Linkbase.
- 101. DEF XBRL Taxonomy Extension Definition Linkbase.
- 101. LAB XBRL Taxonomy Extension Label Linkbase.
- 101. PRE XBRL Taxonomy Extension Presentation Linkbase.

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**CBS CORPORATION**

(Registrant)

/s/ JOSEPH R. IANNIELLO

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Joseph R. Ianniello  
*Executive Vice President and  
Chief Financial Officer*

/s/ LAWRENCE LIDING

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Lawrence Liding  
*Senior Vice President, Controller and  
Chief Accounting Officer*

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