CBS CORP
Form 10-K
March 01, 2007

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2006

OR

o **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	**04-2949533**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

51 W. 52nd Street
New York, NY 10019
(212) 975-4321

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

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

Title of Each Class	Name of Each Exchange on Which Registered
Class A Common Stock, $0.001 par value	New York Stock Exchange
Class B Common Stock, $0.001 par value	New York Stock Exchange
7.625% Senior Debentures due 2016	American Stock Exchange
7.25% Senior Notes due 2051	New York Stock Exchange

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

None

(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer (as defined in Rule 405 of the Securities Act of 1933). Yes ý No o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934. Yes o No ý

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 ý No o

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer (see definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Securities Exchange Act of 1934).

Large accelerated filer ý Accelerated filer o Non-accelerated filer o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Securities Exchange Act of 1934). Yes o No ý

As of June 30, 2006, which was the last business day of the registrant's most recently completed second fiscal quarter, the aggregate market value of the shares of CBS Corporation Class A Common Stock, $0.001 par value ("Class A Common Stock"), held by non-affiliates was approximately $444,740,111 (based upon the closing price of $27.06 per share as reported by the New York Stock Exchange on that date) and the aggregate market value of the shares of CBS Corporation Class B Common Stock, $0.001 par value ("Class B Common Stock"), held by non-affiliates was approximately $18,053,123,555 (based upon the closing price of $27.05 per share as reported by the New York Stock Exchange on that date).

As of February 15, 2007, 61,282,839 shares of Class A Common Stock and 723,762,833 shares of Class B Common Stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of CBS Corporation's Notice of 2007 Annual Meeting of Stockholders and Proxy Statement to be filed with the Securities and Exchange Commission pursuant to Regulation 14A of the Securities Exchange Act of 1934, as amended (the "Proxy Statement") (Part III).

PART I

Item 1. *Business.*

CBS Corporation (together with its consolidated subsidiaries unless the context otherwise requires, the "Company" or "CBS Corp.") is a mass media company with operations in the following segments:

TELEVISION: The Television segment consists of CBS Television, comprised of the *CBS*® Network, the Company's 40 owned broadcast television stations (10 of which are subject to sale agreements) and CBS Paramount Network Television and CBS Television Distribution, the Company's television production and syndication operations; *Showtime Networks*, the Company's premium subscription television program services; and *CSTV: College Sports Television*®, the Company's cable network and online digital media business devoted to college athletics.

RADIO: The Radio segment owns and operates 144 radio stations in 31 United States ("U.S.") markets through *CBS Radio*® as of February 15, 2007. CBS Radio also owns 20 radio stations, which are subject to sale agreements and are operated by the purchasers of such stations pursuant to local marketing agreements until the closings of these sales.

OUTDOOR: The Outdoor segment displays advertising on media, including billboards, transit shelters, buses, rail systems (in-car, station platforms and terminals), mall kiosks, masts and stadium signage principally through *CBS Outdoor*®.

PUBLISHING: The Publishing segment consists of *Simon & Schuster*, which publishes and distributes consumer books under imprints such as *Simon & Schuster®, Pocket Books®, Scribner*® and *Free Press*.

For the year ended December 31, 2006, contributions to the Company's consolidated revenues from its segments were as follows: Television 66%, Radio 14%, Outdoor 15% and Publishing 6%. The Company generated approximately 11% of its total revenues from international regions in 2006. For the year ended December 31, 2006, approximately 65% and 17% of total international revenues of $1.58 billion were generated in Europe and Canada, respectively.

The separation of former Viacom Inc. ("Former Viacom") into two publicly traded entities, CBS Corp. and new Viacom Inc. ("Viacom Inc."), was completed on December 31, 2005 (the "Separation"). The Separation was accomplished pursuant to a merger in which a subsidiary of Former Viacom was merged with and into Former Viacom, with Former Viacom continuing as the surviving entity. On December 31, 2005, Former Viacom was renamed "CBS Corporation" and each outstanding share of Former Viacom class A common stock was converted into the right to receive .5 of a share of CBS Corp. class A common stock, $0.001 par value ("Class A Common Stock"), and .5 of a share of Viacom Inc. class A common stock and each outstanding share of Former Viacom class B common stock was converted into the right to receive .5 of a share of CBS Corp. class B common stock, $0.001 par value ("Class B Common Stock"), and .5 of a share of Viacom Inc. class B common stock. As a result of the one share for .5 share conversion, all Former Viacom share and per share data have been adjusted for prior year periods presented, unless otherwise indicated. The results of Viacom Inc. have been presented as discontinued operations for the years ended December 31, 2005 and 2004.

In February 2007, the Company entered into an agreement to sell seven of its television stations to Cerberus Capital Management, L.P. and an agreement with Liberty Media Corporation to exchange the stock of a subsidiary of the Company, which holds two television stations and cash, for shares of Class B Common Stock held by Liberty. In June 2006, the Company completed the sale of Paramount Parks to Cedar Fair L.P. for $1.24 billion in cash. Paramount Parks is presented as discontinued operations for all periods presented. During 2006, the Company entered into agreements to sell 39 radio stations in 10 of its smaller markets. As of February 15, 2007, 15 of these stations have been sold and the remaining transactions are subject to customary closing conditions, including regulatory and other approvals. In

January 2006, the Company completed the acquisition of CSTV Networks, Inc., a cable network and online digital sports media company devoted to college athletics, for approximately $325 million comprised of 10.2 million shares of the Company's Class B Common Stock and $52 million in cash.

As new technologies for delivering content and services evolve, the Company continues to pursue opportunities to distribute content to consumers through various platforms, including the Internet, mobile devices and video-on-demand. The Company is focused on utilizing interactive features to deepen and broaden its relationship with audiences. The Company has entered into various arrangements to extend the reach of its news, entertainment and other program content across a number of products and platforms with leading Internet, cable and mobile wireless companies, among others.

The Company competes with many different entities and media in various markets worldwide. In addition to competition in each of its businesses, the Company competes for opportunities in the entertainment business with other diversified international entertainment companies such as The Walt Disney Company, NBC Universal, Inc., News Corporation, Time Warner Inc. and Clear Channel Communications.

As of February 15, 2007, National Amusements, Inc. ("NAI"), a closely held corporation that owns and operates approximately 1,500 movie screens in the U.S., the United Kingdom ("U.K."), South America and Russia and manages 21 movie screens in the U.S. and the U.K., beneficially owned Class A Common Stock of the Company representing approximately 76% of the voting power of all classes of the Company's Common Stock, and approximately 11% of the Company's Class A Common Stock and Class B Common Stock on a combined basis. Owners of the Company's Class A Common Stock are entitled to one vote per share. The Company's Class B Common Stock does not have voting rights. NAI is not subject to the reporting requirements of the Securities Exchange Act of 1934, as amended. Sumner M. Redstone, the controlling shareholder of NAI, is the Executive Chairman of the Board of Directors and Founder of the Company.

The Company was organized in Delaware in 1986. The Company's principal offices are located at 51 W. 52nd Street, New York, New York 10019. Its telephone number is (212) 975-4321 and its Web site address is www.cbscorporation.com.

CBS CORP. BUSINESS SEGMENTS

Television (66%, 66% and 67% of the Company's consolidated revenues in 2006, 2005 and 2004, respectively)

The Television segment consists of CBS Television, comprised of the CBS Network, the Company's 40 owned broadcast television stations (10 of which are subject to sale agreements) and CBS Paramount Network Television and CBS Television Distribution, the Company's television production and syndication operations; Showtime Networks, its premium subscription television program services; and CSTV, its cable network and online digital media business devoted to college athletics.

Television Network. The CBS Network through CBS Entertainment , CBS News® and CBS Sports® distributes a comprehensive schedule of news and public affairs broadcasts, sports and entertainment programming, and feature films to more than 200 domestic affiliates reaching throughout the U.S., including 21 of the Company's owned and operated television stations, and to affiliated stations in certain U.S. territories. The CBS Network primarily derives revenues from the sales of advertising time for its network broadcasts.

CBS Entertainment is responsible for acquiring or developing and scheduling the entertainment programming presented on the CBS Network, which includes primetime comedy and drama series, reality-based programming, made-for-television movies and miniseries, theatrical films, specials, children's programs, daytime dramas, game shows and late-night programs. CBS News operates a worldwide news organization, providing the CBS Network and the CBS Radio Network with regularly scheduled news and public affairs broadcasts, including *60 Minutes, CBS Evening News with Katie Couric* and *The Early Show*, as well as special reports. CBS News Productions, the off-network production company created by CBS News, produces programming for domestic and international outlets, including the CBS Network, cable television, home video, audio-book and in-flight markets, as well as schools and libraries. CBS News also provides CBS Newspath®, a television news syndication service that offers daily news coverage, sports highlights and news features to CBS Network affiliates and other subscribers worldwide. CBS Sports broadcasts include *The NFL Today*, certain NCAA championships, including the Final Four, golf, including the Masters Tournament and the PGA Championship, the U.S. Open Tennis Championships, regular-season college football and basketball line-ups on network television, in addition to the NFL's American Football Conference regular season schedule, the Postseason Divisional Playoff games and the AFC championship game. In November 2004, CBS Sports entered into a six-year rights extension with the NFL to broadcast the AFC beginning in 2006 and including two Super Bowls. Extending its franchises, CBS Sports has the marketing rights for the 2003-2013 NCAA Championships, including coordination of licensing, merchandising, related multimedia and television, and other related business opportunities. CBS Home Entertainment licenses home video rights and CBS Consumer Products licenses merchandising rights.

The CW, a new broadcast network and 50/50 joint venture with Warner Bros. Entertainment, was launched in Fall 2006. As a result, the Company's network, UPN, ceased broadcasting its network schedule at the conclusion of the 2005/2006 broadcast season. The CW's programming includes *America's Top Model* and *Everybody Hates Chris*. Eleven of the Company's owned television stations are affiliates of The CW.

Through CBS Interactive, the Internet sites associated with CBS Entertainment (*CBS.com*, including *innertube,* a broadband channel launched in May 2006, which features series created for the Internet and streamed CBS series), CBS News (*CBSNews.com*), CBS Sports (*CBSSportsLine.com*), and entertainment news (*TheShowBuzz.com*) are combined to provide key platforms for promotion, as well as exposure to the brands of these divisions to the broadband Internet audience while creating new revenue streams primarily through advertising, online consumer products, such as fantasy sports leagues and video-on-demand. In September 2006, viewers could watch new and returning CBS primetime and other programming on the Company's ad-supported broadband channel, *cbs.innertube.com*, the day following initial broadcast on CBS Network. The four sites leverage the content of the CBS Network on the Internet and on other emerging media platforms, including wireless, video-on-demand and interactive television. In 2006, these sites and the CBS Sportsline Network sites, collectively, received approximately 7.9 billion pageviews and attracted an average audience of approximately 21.7 million U.S. monthly unique visitors according to Nielsen/NetRatings. The Company's Internet sites for the Television segment, including CSTV.com, generally derive revenue from a combination of advertising and sponsorships, subscription services and e-commerce.

CBS Network news, entertainment and other program content is also available through various arrangements including: broadband video and text news programming from CBSNews.com to the AOL News channel; CBS' primetime and classic television programs available in the Google Video Store; certain video news segments and program clips distributed for Verizon Wireless V CAST mobile phones and other mobile phone subscribers; and seven of CBS Network's top-rated primetime series on Comcast's On Demand video service. During 2006, certain games of the 2006 NCAA® Division I Men's Basketball Championship were streamed as they were broadcast by CBS Sports on NCAA® March Madness On Demand , an on-demand streaming service. In October 2006, the Company's CBS Network, Showtime Networks and CSTV began providing programming clips to YouTube, Inc. pursuant to a content and advertising partnership in which the Company and YouTube share advertising revenue. In June 2006, certain of CBS Network's primetime programming became available, including *CSI* programs, on Apple's iTunes Music Store.

Television Stations. The Company owns 40 broadcast television stations through its CBS Television Stations group (10 of which are subject to sale agreements), all of which operate under licenses granted by the Federal Communications Commission ("FCC") pursuant to the Communications Act of 1934, as amended (the "Communications Act"). The licenses are renewable every eight years. The Company's television stations are located in the 7 largest, and 15 of the top 20, television markets in the U.S. The Company owns multiple television stations within the same designated market area ("DMA") in 10 major markets. These multiple station markets are: Los Angeles (market #2), Philadelphia (market #4), San Francisco-Oakland-San Jose (market #5), Dallas-Fort Worth (market #6), Boston (market #7), Detroit (market #11), Miami-Ft. Lauderdale (market #16), Sacramento-Stockton-Modesto (market #20), Pittsburgh (market #22) and West Palm Beach (market #38). This network of television stations enables the Company to reach a wide audience within and across geographically diverse markets in the U.S. The stations produce news and broadcast public affairs, sports and other programming to serve their local markets and offer CBS, The CW or MyNetwork TV programming and syndicated programming. Substantially all of the Company's television stations currently operate Web sites, which promote the stations' programming, and provide news, information and entertainment, as well as other services. Since October 2006, pursuant to an exclusive video syndication arrangement, local news video from 18 of the Company's television stations has been available on Yahoo!. CBS and Yahoo! share revenue from advertising sold adjacent to CBS stations' content on the site.

The Company's owned and operated television stations reach approximately 42% of all U.S. television households and approximately 38% of U.S. television households as measured by the FCC's television national audience reach limitation under which a VHF television station is deemed to reach 100% of the television households in its market and a UHF television station is deemed to reach 50% of the television households in its market. The FCC's ownership rules limit the Company's national audience reach to 39% of all U.S. television households. (See "CBS Corp. Business Segments Regulation Broadcasting Ownership Regulation").

Television Stations

The table below sets forth the broadcast television stations owned by the Company as of February 27, 2007.

Station and Metropolitan Area Served(1)	Market Rank(2)	Type/Channel	Network Affiliation
WCBS-TV New York, NY	1	VHF/2	CBS
KCAL-TV Los Angeles, CA	2	VHF/9	Independent
KCBS-TV Los Angeles, CA	2	VHF/2	CBS
WBBM-TV Chicago, IL	3	VHF/2	CBS
KYW-TV Philadelphia, PA	4	VHF/3	CBS
WPSG-TV Philadelphia, PA	4	UHF/57	The CW
KPIX-TV San Francisco-Oakland-San Jose, CA	5	VHF/5	CBS
KBCW-TV San Francisco-Oakland-San Jose, CA	5	UHF/44	The CW
KTVT-TV Dallas-Fort Worth, TX	6	VHF/11	CBS
KTXA-TV Dallas-Fort Worth, TX	6	UHF/21	Independent
WBZ-TV Boston, MA	7	VHF/4	CBS
WSBK-TV Boston, MA	7	UHF/38	Independent
WUPA-TV Atlanta, GA	9	UHF/69	The CW

Station and Metropolitan Area Served(1)	Market Rank(2)	Type/Channel	Network Affiliation
WKBD-TV Detroit, MI	11	UHF/50	The CW
WWJ-TV Detroit, MI	11	UHF/62	CBS
WTOG-TV Tampa-St. Petersburg-Sarasota, FL	12	UHF/44	The CW
KSTW-TV Seattle-Tacoma, WA	14	VHF/11	The CW
WCCO-TV Minneapolis-St. Paul, MN	15	VHF/4	CBS
Satellites:			
KCCO-TV(3) Alexandria, MN			CBS
KCCW-TV(4) Walker, MN			CBS
WFOR-TV Miami-Ft. Lauderdale, FL	16	VHF/4	CBS
WBFS-TV Miami-Ft. Lauderdale, FL	16	UHF/33	MyNetwork TV
KCNC-TV Denver, CO	18	VHF/4	CBS
KOVR-TV Sacramento-Stockton-Modesto, CA	20	VHF/13	CBS
KMAX-TV Sacramento-Stockton-Modesto, CA	20	UHF/31	The CW
KDKA-TV Pittsburgh, PA	22	VHF/2	CBS
WPCW-TV Pittsburgh, PA	22	UHF/19	The CW
WJZ-TV Baltimore, MD	24	VHF/13	CBS
WBXI-CA(5) Indianapolis, IN	25	UHF/47	MTV/TR3S
KUTV-TV(6) Salt Lake City, UT	35	VHF/2	CBS
Satellite:			
KUSG-TV(6)(7) St. George, UT			CBS
WTVX-TV(6) West Palm Beach-Ft. Pierce, FL	38	UHF/34	The CW
WWHB-CA(6)(8) West Palm Beach-Ft. Pierce, FL	38	UHF/48	Azteca (Spanish Language)
WTCN-CA(6)(9) West Palm Beach-Ft. Pierce, FL	38	UHF/43	MyNetwork TV
WGNT-TV Norfolk-Portsmouth-Newport News, VA	42	UHF/27	The CW
WLWC-TV(6) Providence, RI-New Bedford, MA	51	UHF/28	The CW
KEYE-TV(6) Austin, TX	52	UHF/42	CBS
WBXN-CA(10)(11) New Orleans, LA	54	UHF/18	Simulcast of WUPL-TV

WFRV-TV(12) Green Bay-Appleton, WI	69	VHF/5	CBS
Satellite:			
WJMN-TV(12)(13) Escanaba, MI	178		CBS

(1) Metropolitan Area Served is Nielsen Media Research's DMA.

(2) Market Rankings based on Nielsen Station Index DMA Market and Demographic Rank, September 2006.

(3) KCCO-TV is operated as a satellite station of WCCO-TV.

(4) KCCW-TV is operated as a satellite station of WCCO-TV.

(5) WBXI-CA is a Class A low power television station. Class A low power television stations do not implicate the FCC's ownership rules.

(6) The Company has entered into an agreement to sell KUTV-TV, KUSG-TV, WTVX-TV, WWHB-CA, WTCN-CA, WLWC-TV and KEYE-TV.

(7) KUSG-TV is operated as a satellite station of KUTV-TV.

(8) WWHB-CA is a Class A low power television station. Class A low power television stations do not implicate the FCC's ownership rules.

(9) WTCN-CA is a Class A low power television station. Class A low power television stations do not implicate the FCC's ownership rules.

(10) The Company has entered into an agreement to sell WBXN-CA. Until the closing, WBXN-CA will continue to simulcast WUPL-TV, a New Orleans television station sold by the Company on February 26, 2007.

(11) WBXN-CA is a Class A low power television station. Class A low power television stations do not implicate the FCC's ownership rules.

(12) The Company has entered into an agreement to sell WFRV-TV and WJMN-TV.

(13) WJMN-TV is operated as a satellite station of WFRV-TV.

Television Production and Syndication. The Company, through CBS Paramount Network Television and CBS Television Distribution (including King World Productions, CBS Paramount Domestic Television and CBS Paramount International Television), produces, acquires and/or distributes programming worldwide, including series, specials, news, public affairs and made-for-television movies. Such programming is produced primarily for broadcast on network television, exhibition on basic cable and premium subscription services or for first-run syndication. First-run syndication is programming exhibited on television stations without prior exhibition on a network or cable service. The Company also distributes off-network syndicated programming, which is programming exhibited on television stations or cable networks following its exhibition on a network, basic cable network or premium subscription service.

Programming that was produced or co-produced by the Company's production group and is broadcast on network television includes, among others, *CSI: Crime Scene Investigation* (CBS) and *Medium* (NBC). Generally, a network will license a specified number of episodes for broadcast on the network in the U.S. during a license period. Remaining distribution rights, including foreign and/or off-network syndication rights, are typically retained by the Company or, in the case of co-productions, distribution rights are shared with the co-producer for U.S. or foreign markets. The network license fee for a series episode is normally lower than the costs of producing each series episode; however, the Company's objective is to recoup its costs and earn a profit through domestic syndication of episodes after their network runs and/or by licensing international exhibitions of the episodes. International sales are generally made within one year of U.S. network runs. Generally, a series must have a network run of at least three or four years to be successfully sold in domestic syndication. In off-network syndication, the Company distributes series such as *Everybody Loves Raymond, CSI, Medium, Survivor* and *America's Next Top Model* as well as a library of older television programs. The Company also produces and/or distributes first-run syndicated series such as *Jeopardy!, Entertainment Tonight, The Oprah Winfrey Show, Dr. Phil*, *Rachael Ray* and *Judge Judy.* The Company also distributes syndicated programming internationally.

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License fees for completed television programming in syndication and on cable are recorded as revenues in the period that the products are available for exhibition, which, among other reasons, may cause substantial fluctuation in the Television segment's operating results. Unrecognized revenues attributable to such license agreements were approximately $675.5 million and $788.1 million at December 31, 2006 and December 31, 2005, respectively.

Showtime Networks. Showtime Networks owns and operates three commercial-free, premium subscription television program services in the U.S.: *Showtime,* offering recently released theatrical feature films, original series, original motion pictures, documentaries, boxing, mixed martial arts, concerts and other special events; *The Movie Channel* , offering recently released theatrical feature films and related programming; and *Flix*®, offering theatrical feature films primarily from the 70s, 80s and 90s, as well as selected other titles. At December 31, 2006, *Showtime, The Movie Channel* and *Flix*, in the aggregate, had approximately 49.2 million subscriptions in the U.S., certain U.S. territories and Bermuda.

Showtime Networks also owns and operates several multiplexed channels of *Showtime* and *The Movie Channel* in the U.S. which offer additional and varied programming choices. In addition, Showtime Networks transmits high definition television feeds of *Showtime* and *The Movie Channel* and also makes versions of *Showtime, The Movie Channel* and *Flix* available "on demand," enabling subscribers to watch selected individual programs at their convenience. Showtime Networks also provides special events, such as high-profile boxing matches, to licensees on a pay-per-view basis through *Showtime PPV*®. In the fourth quarter of 2006, Showtime Networks entered into an agreement with Pro Elite, Inc. that provides mixed martial arts events for exhibition on *Showtime* and possible pay-per-view distribution. Showtime Networks also operates the Web site *SHO.com* which promotes *Showtime, The Movie Channel* and *Flix* programming, and provides information and entertainment and other services.

Showtime Networks derives revenue principally from the license of its program services to cable television operators, direct-to-home ("DTH") satellite operators, telephone companies and other distributors. The costs of acquiring premium television rights to programming and producing original series are the principal expenses of Showtime Networks. Showtime Networks enters into commitments to acquire rights, with an emphasis on acquiring exclusive rights for *Showtime* and *The Movie Channel*, from major or independent motion picture producers and other distributors typically covering the U.S. and Bermuda for varying durations. For example, Showtime Networks has the exclusive U.S. premium subscription television rights for certain exhibition windows relating to Paramount Pictures' feature films initially theatrically released in the U.S. through December 2007. Showtime Networks also arranges for the development, production and acquisition of original programs, series, documentaries and motion pictures. Showtime Networks' original series include *Dexter, Brotherhood, The L Word, Sleeper Cell* and *Weeds*, among others. Showtime Networks has entered into and may from time to time enter into co-financing, co-production and/or co-distribution arrangements with other parties to reduce the net cost to Showtime Networks for its original programming. In addition, Showtime Networks derives distribution revenue from the rights it retains in certain of its original programming. For example, in 2006, Showtime Networks entered into licenses with television networks in various foreign territories for exhibition of certain original series, as well as electronic sell-through arrangements with several Internet distributors for certain *Showtime* programming, including the iTunes Music Store and Movielink, among others.

Showtime Networks is also a manager and 37% owner of *Sundance Channel*®, a venture among Showtime Networks, an affiliate of Robert Redford and NBC Universal, Inc. *Sundance Channel* is a subscription television program service in the U.S., dedicated to independent film, featuring original programming, American independent films, documentaries, foreign and classic art films, shorts and animation, with an emphasis on recently released titles. Showtime Networks owns 90% of and manages Smithsonian Networks, a venture with Smithsonian Institution. This venture expects to launch a linear and on-demand program service in 2007, to be branded with the Smithsonian name, and featuring programs of a cultural, historical, scientific and educational nature. Showtime Networks also owns 80% of, and provides management services to, On Broadband Networks LLC, a venture with Broadband Libraries, LLC. This venture will create, market and distribute a broadband service consisting of games, related content, merchandise and other software, which service will be branded with each distributor's own brand or label. Finally, the Company owns 85% of OurChart.com LLC, a venture with the creator and executive producer of *The L Word.* In January 2007, this venture launched OurChart.com, a Web site which will have social networking and e-commerce components and feature elements from multiple sources, including *The L Word.* Showtime Networks provides a variety of services to this venture pursuant to a services agreement.

CSTV. CSTV Networks, Inc., a cable network and online digital media business devoted to college athletics, was acquired by the Company in January 2006. CSTV includes a full-time program service featuring events from approximately 30 men's and women's college sports, with approximately 20 million subscribers as of February 1, 2007, as well as CSTV Online, Inc., with approximately 215 affiliated college athletic Web sites. In addition, CSTV.com, which supports the related cable program service and online properties, and the college athletic Web sites reached approximately 8.3 million U.S. monthly unique visitors in November 2006, according to Nielsen/NetRatings. In September 2006, *the mtn*: *MountainWest Sports Network* was launched. Each of CSTV and Comcast Corporation owns a 50% interest in *the mtn*, which exhibits Mountain West Conference athletics and is available to U.S. cable and satellite providers.

Television Competition

Television Network. The television broadcast environment is highly competitive. The principal methods of competition in broadcast television are the development and acquisition of popular programming and the development of audience interest through programming and promotion, in order to sell advertising at profitable rates. Broadcast networks like CBS compete for audience, advertising revenues and programming with other broadcast networks such as ABC, FOX, NBC and MyNetwork TV, independent television stations, cable program services as well as other media, including DVDs, print and the Internet. In addition, the CBS Network competes with the other broadcast networks to secure affiliations with independently owned television stations in markets across the country, which are necessary to ensure the effective distribution of network programming to a nationwide audience. According to Nielsen Media Research, for the broadcast television primetime daypart for the period September 18, 2006 to February 11, 2007, the CBS Network secured the #1 position for total viewers and for key adult viewers ages 25-54 and 18-49.

Television Stations. Television stations compete for programming, on-air talent, audiences and advertising revenues with other stations and cable networks in their respective coverage areas and, in some cases, with respect to programming, with other station groups, and, in the case of advertising revenues, with other local and national media. The owned and operated television stations' competitive position is largely influenced by the quality of the syndicated programs and local news programs in time periods not programmed by the network; the strength of the CBS Network and, in particular, the viewership of the CBS Network in the time period immediately prior to the late evening news; and in some cases, by the quality of the broadcast signal.

In connection with the conversion to digital television broadcasting, current and future technological and regulatory developments may affect competition within the television marketplace. (See "CBS Corp. Business Segments Regulation Broadcasting").

Television Production and Syndication. As a producer and distributor of programming, the Company competes with studios, television production groups, and independent producers and syndicators such as Disney, Sony, NBC Universal, Warner Bros. and Fox to produce and sell programming both domestically and overseas. The Company also competes to obtain creative talent and story properties which are essential to the success of all of the Company's entertainment businesses.

Showtime Networks. Showtime Networks primarily competes with other providers of premium subscription television program services in the U.S.: Home Box Office, Inc. and Starz Entertainment

Group, L.L.C. Competition among premium subscription television program services in the U.S. is primarily dependent on: (i) the production, acquisition and packaging of original series, original motion pictures and other original programs and the acquisition and packaging of an adequate number of recently released theatrical motion pictures; and (ii) the offering of prices, marketing and advertising support and other incentives to cable operators, DTH satellite operators and other distributors for carriage so as to favorably position and package Showtime Networks' premium subscription television program services to subscribers. Home Box Office, Inc. is the dominant company in the U.S. premium subscription television category, offering two premium subscription television program services, HBO and Cinemax. Showtime Networks competes with Home Box Office, Inc. and has a significantly smaller share of the premium subscription television category. Starz Entertainment Group, L.L.C. owns Starz!, another premium subscription television program service, which features recently released theatrical motion pictures and competes with Showtime Networks' and Home Box Office, Inc.'s premium program services. Showtime Networks also competes for programming, distribution and/or audiences with broadcast television, basic cable program services and other media, including DVDs, portable devices and the Internet.

The terms and favorable renewal of agreements with distributors for the distribution of the Company's subscription television program services are important to the Company. Consolidation among multichannel video programming distributors makes it more difficult to reach favorable terms and could have an adverse effect on revenues.

CSTV. CSTV's television programming service principally competes with other sports-oriented cable programming services for cable and satellite distribution and related revenue, for viewership and for advertising revenue. Consolidation among cable operators has made it more difficult for newer channels to secure broad distribution. In addition, the largest cable providers have created sports tiers for newer sports programming services which have not, in many cases, achieved significant subscriber penetration or acceptance. CSTV's television service also competes with other sports programming services in acquiring the television and broadband rights to sporting events, resulting in increased rights fees and increased production expenses. CSTV Online operates cstv.com and serves as the exclusive Web site service provider to many university athletic departments and other college sports-related organizations. CSTV Online competes with other sports-based Web sites and sports information sources for users, subscribers to its packages of streamed events and site sponsors. In addition, it competes with several other Web site service providers which serve the same market; as a result, CSTV Online may incur increased expenses to maintain its network of university affiliates.

Radio (14%, 15% and 15% of the Company's consolidated revenues in 2006, 2005 and 2004, respectively)

The Company's radio broadcasting business operates through CBS Radio, which owns and operates 144 radio stations serving 31 U.S. markets as of February 15, 2007. CBS Radio also owns 20 radio stations, which are subject to sale agreements and are operated by the purchasers of such stations pursuant to local marketing agreements until the closings of these sales. CBS Radio is one of the largest operators of radio stations in the U.S. Approximately 97% of the Company's owned and operated radio stations are located in the 50 largest U.S. radio markets and approximately 72% in the 25 largest U.S. radio markets. The Company's strategy generally is to operate radio stations in the largest markets, acquire radio stations in the most attractive growth markets and take advantage of the Company's ability to sell advertising across multiple markets and formats. During 2006, the Company entered into agreements to sell 39 radio stations in 10 of its smaller markets. As of February 15, 2007, 15 of these stations have been sold and the remaining transactions are subject to customary closing conditions, including regulatory and other approvals. The Company believes that it is favorably impacted by offering radio, television and outdoor advertising platforms in large markets. The "Radio Stations, Television Stations and Outdoor Advertising Displays" table below includes information with respect to the Company's radio stations in the top 25 U.S. radio markets.

Radio seeks to maintain substantial diversity among its radio stations. The geographically wide-ranging stations serve diverse target demographics through a broad range of programming formats, such as rock, oldies, all-news, talk, adult contemporary, sports/talk and country, and CBS Radio has established leading franchises in news, sports, and personality programming. This diversity provides advertisers with the convenience of selecting stations to reach a targeted demographic group or of selecting groups of stations to reach broad groups of consumers within and across markets. This diversity also reduces the Company's dependence on any single station, local economy, format or advertiser. Radio's general programming strategies include employing popular on-air talent, syndicating shows of some of these talent nationally and acquiring the rights to broadcast sports franchises and news content for its radio stations. These strategies, in addition to developing loyal audiences for its radio stations, create the opportunity to obtain additional revenues from syndicating such programming elements to other radio stations.

During 2006, CBS Radio changed morning show programming at 27 of its radio stations. Certain of those stations have been rebranded as "Free FM ," a talk radio format that features new on-air talent. In addition, CBS Radio features the "Jack" format on 9 of its stations. "Jack" is a highly music-intensive format with an expansive playlist.

The majority of Radio's revenues are generated from the sale of local, regional and national advertising. The major categories of radio advertisers include: automotive, retail, healthcare, telecommunications, fast food, beverage, movies, entertainment and services. CBS Radio is able to use the reach, diversity and branding of its radio stations to create unique division-wide marketing and promotional initiatives for major national advertisers of products and services. The success and reputation of CBS Radio and its stations allow the Company to attract the participation of major artists in these national campaigns. Advertising expenditures by local advertisers fluctuate, which has an effect on Radio's revenues.

The Company also owns the CBS Radio Network, which is managed by Westwood One, Inc. At December 31, 2006, the Company owned approximately 19% of the common stock of Westwood One, Inc., which it manages pursuant to a management agreement which has a term running to March 31, 2009. Westwood One is a leading producer and distributor of syndicated and network radio programming in the U.S. and distributes syndicated and network radio programming, including traffic and weather information, to many of the Company's radio stations as well as to the Company's competitors. Westwood One does not own or operate radio stations.

CBS Radio is extending its station brands online, through efforts that include streaming, mobile phones, podcasting and developing radio station Web sites. For example, approximately 117 CBS Radio stations throughout the U.S. are streamed online, including such top brands as 1010 WINS and WFAN-AM, each in New York, and KROQ-FM in Los Angeles; 25 CBS Radio stations allow listeners to participate in promotions and contests via text messages on their mobile phones through CBS Radio's partnership with Vibes Media Radio; and three of CBS Radio's top sports stations are available via mSpot Sports on select Sprint mobile phones.

Radio Competition. The Company's radio stations directly compete within their respective markets for audience, advertising revenues and programming with other radio stations, including those owned by other group owners such as ABC Radio, Clear Channel Communications, Cox Radio, Emmis Communications, Entercom and Radio One. The Company's radio stations also compete with other media, such as broadcast, cable and DTH satellite television, radio, newspapers, magazines, the Internet and direct mail.

The radio industry is also subject to competition from two satellite-delivered audio programming services, Sirius Satellite Radio and XM Satellite Radio, each providing over 170 channels of pay digital audio services. Sirius and XM sell advertising time on some of their channels and compete with the radio industry for programming. In February 2007, these two companies announced plans to merge, subject to regulatory approvals.

The Company's radio stations face increasing competition from audio programming delivered via the Internet and from consumer products such as portable digital audio players. These new technologies create new ways for individuals to listen to music and other content of their choosing while avoiding traditional commercial advertisements. An increasingly broad adoption by consumers of portable digital audio players could affect the ability of the Company's radio stations to attract listeners and advertisers.

The radio broadcast industry is converting from analog to digital broadcasts. Currently, approximately 1,200 radio stations are broadcasting in the U.S. using digital technology. The Company has joined other broadcast radio groups to form the HD Digital Alliance Association (the "Digital Alliance"), which is committed to accelerate the conversion of over 2,000 additional AM and FM stations to digital radio technology over the next several years, including the conversion of approximately 131 of the Company's radio stations, 79 of which had been converted as of February 1, 2007. Members of the Digital Alliance have also agreed to provide two digital audio broadcasts on each of their radio stations. One will be a digital rebroadcast of the station's analog signal and the other will be used to offer a broad range of unique commercial-free programming. The Digital Alliance plans to market digital radio technology to receiver manufacturers, electronics retailers and automobile manufacturers, and will publicize the availability of digital radio with promotional messages to be aired on its members' stations. Implementing its agreement with the Digital Alliance, CBS Radio has announced a line-up of multicast programming for over 60 of its radio stations in 17 markets. The Company believes that digital transmissions will provide listeners with improved sound quality and should facilitate the convergence of radio with other digital media. It is too early to predict the full effect that the conversion to digital will have on the Company's radio businesses or on competition generally.

Aggregate spot advertising sales revenues for the Company's radio stations for 2006 in each of the top five U.S. markets by metro area population were ranked either #1 or #2, according to the 2006 Market Total Spot Performance Summary of Miller, Kaplan, Arase & Co., LLP (for the New York, Los Angeles, Chicago, San Francisco and Dallas-Fort Worth markets).

Radio Stations, Television Stations and Outdoor Advertising Displays

The following table sets forth information with regard to the Company's radio stations, television stations and outdoor advertising displays as of February 15, 2007 in the top 25 U.S. radio markets:

	Radio			Television			Outdoor
Market and Market Rank(1)	**Stations**	**AM/FM**	**Format**	**Stations**	**Type/ Channel**	**Network Affiliation**	**Display Type**
New York, NY	WCBS-FM	FM	Adult Hits ("Jack")	WCBS-TV	VHF/2	CBS	Bus, Subways,
	WCBS	AM	News				Billboards, Bulletins,
#1 Radio	WFAN	AM	Sports				Walls, Trestles,
#1 Television	WINS	AM	News				"Spectacular
	WWFS	FM	Adult Contemporary				Signage," Mall
	WFNY	FM	Talk ("Free FM")				Posters
Los Angeles, CA	KCBS-FM	FM	Adult Hits ("Jack")	KCAL-TV	VHF/9	Independent	Bus, Bus Shelters,
	KFWB	AM	News	KCBS-TV	VHF/2	CBS	Rail, Kiosks,
#2 Radio	KLSX	FM	Talk ("Free FM")				Bulletins, Walls,
#2 Television	KNX	AM	News				Posters, Mall Posters
	KROQ-FM	FM	Alternative Rock				
	KRTH-FM	FM	Classic Hits				
	KTWV	FM	Smooth Jazz				
Chicago, IL	WBBM-FM	FM	Rhythmic Contemporary Hit Radio	WBBM-TV	VHF/2	CBS	Bus, Bus Shelters, Rail, Bulletins,
#3 Radio	WBBM	AM	News				Posters, Mall Posters,
#3 Television	WCKG	FM	Talk ("Free FM")				Walls, Digital
	WJMK	FM	Adult Hits ("Jack")				Billboards
	WSCR	AM	Sports				
	WUSN	FM	Country				
	WXRT-FM	FM	Adult Album Alternative				
San Francisco, CA	KCBS	AM	News	KPIX-TV	VHF/5	CBS	Bus, Bus Shelters,

	Radio			Television			Outdoor
	KFRC-FM	FM	Rhythmic AC ("Movin")	KBCW-TV	UHF/44	The CW	Rail, Cable Cars,
#4 Radio	KITS	FM	Alternative Rock				Bulletins, Walls,
#5 Television	KLLC	FM	Hot Adult Contemporary				Posters, Mall Posters
	KYCY	AM	Talk (Podcasting)				
	KIFR	FM	Talk ("Free FM")				

	Radio			Television			Outdoor
Market and Market Rank(1)	**Stations**	**AM/FM**	**Format**	**Stations**	**Type/ Channel**	**Network Affiliation**	**Display Type**
Dallas-Fort Worth, TX	KLUV-FM	FM	Classic Hits	KTVT-TV	VHF/11	CBS	Walls, Bulletins, Mall
	KMVK	FM	Rhythmic AC ("Movin")	KTXA-TV	UHF/21	Independent	Posters, Kiosks
#5 Radio	KJKK	FM	Adult Hits ("Jack")				
#6 Television	KRLD	AM	News/Talk				
	KVIL	FM	Adult Contemporary				
	KLLI	FM	Talk ("Free FM")				
Houston, TX	KHJZ-FM	FM	Smooth Jazz				Bulletins, Mall
	KIKK	AM	Talk				Posters
#6 Radio	KILT-FM	FM	Country				
#10 Television	KILT	AM	Sports				
Philadelphia, PA	KYW	AM	News	KYW-TV	VHF/3	CBS	Bus Shelters, Rail,
	WIP	AM	Sports	WPSG-TV	UHF/57	The CW	Bulletins, Mall
#7 Radio	WOGL	FM	Classic Hits				Posters
#4 Television	WPHT	AM	Talk				
	WYSP	FM	Talk ("Free FM")/Active Rock				
Washington, D.C.	WTGB	FM	Adult Album Alternative				Bus, Rail, Mall
#8 Radio	WLZL	FM	Spanish-Tropical				Posters, Walls
#8 Television	WJFK-FM	FM	Talk ("Free FM")				
	WPGC-FM	FM	Urban				
	WPGC	AM	Gospel				
Atlanta, GA	WAOK	AM	Black News/Talk	WUPA-TV	UHF/69	The CW	Bus, Bus Shelters,
	WVEE	FM	Urban Contemporary				Rail, Bulletins,
#9 Radio	WZGC	FM	Adult Album Alternative				Posters, Mall Posters
#9 Television							
Detroit, MI	WKRK-FM	FM	Talk ("Free FM")	WKBD-TV	UHF/50	The CW	Bus, Bulletins,
	WOMC	FM	Classic Hits	WWJ-TV	UHF/62	CBS	Posters, Mall Posters
#10 Radio	WVMV	FM	Smooth Jazz				
#11 Television	WWJ	AM	News				
	WXYT	AM	Sports				
	WYCD	FM	Country				
Boston, MA	WBCN	FM	Rock/Alternative	WBZ-TV	VHF/4	CBS	Bulletins
	WBMX	FM	Hot Adult Contemporary	WSBK-TV	UHF/38	Independent	
#11 Radio	WBZ	AM	News				
#7 Television	WODS	FM	Classic Hits				
	WZLX	FM	Classic Rock				
Miami-Ft. Lauderdale, FL				WFOR-TV	VHF/4	CBS	Bulletins, Bus, Rail,
				WBFS-TV	UHF/33	My Network TV	Mall Posters, Kiosks,
							Bus Shelters
#12 Radio							
#16 Television							
Puerto Rico							Bulletins, Posters
#13 Radio							
Seattle-Tacoma, WA	KBKS-FM	FM	Contemporary Hit Radio	KSTW-TV	VHF/11	The CW	Bulletins, Posters,
	KMPS-FM	FM	Country				Mall Posters
#14 Radio	KPTK	AM	Progressive Talk				
#14 Television	KJAQ-FM	FM	Classic Hits ("Jack")				
	KZOK-FM	FM	Classic Rock				
Phoenix, AZ	KOOL-FM	FM	Classic Hits				Bus Shelters,
	KZON	FM	Talk ("Free FM")				Bulletins, Posters,
#15 Radio	KMLE	FM	Country				Mall Posters,
#13 Television							Benches, Walls

	Radio			**Television**			**Outdoor**
Minneapolis, MN	WCCO	AM	News/Talk/Sports	WCCO-TV	VHF/4	CBS	Bulletins, Mall Posters, Bus Shelters
	WLTE	FM	Adult Contemporary	KCCO-TV	Satellite	CBS	
#16 Radio	KZJK	FM	Adult Hits ("Jack")	KCCW-TV	Satellite	CBS	
#15 Television							
San Diego, CA	KSCF	FM	Talk ("Free FM")				Bus Shelters, Bulletins, Posters, Mall Posters
	KYXY	FM	Adult Contemporary				
#17 Radio							
#27 Television							
Nassau-Suffolk, NY(2)							Bulletins
#18 Radio							
Tampa-St. Petersburg, FL	WLLD	FM	Rhythmic Contemporary Hit Radio	WTOG-TV	UHF/44	The CW	Bulletins, Mall Posters
#19 Radio	WQYK-FM	FM	Country				
#12 Television	WQYK	AM	Sports				
	WYUU	FM	Spanish				
	WRBQ-FM	FM	Classic Hits				
	WSJT	FM	Smooth Jazz				

St. Louis, MO	KEZK-FM	FM	Adult Contemporary				Bulletins, Posters,
	KMOX	AM	News/Talk				Mall Posters
#20 Radio	KYKY	FM	Hot Adult Contemporary				
#21 Television							
Baltimore, MD	WJFK	AM	Sports	WJZ-TV	VHF/13	CBS	Mall Posters, Bus
	WLIF	FM	Soft Adult Contemporary				Shelters
#21 Radio	WQSR	FM	Adult Hits ("Jack")				
#24 Television	WWMX	FM	Hot Adult Contemporary				
	WHFS	FM	Talk ("Free FM")				
Denver, CO	KWLI	FM	Country	KCNC-TV	VHF/4	CBS	Bus Shelters,
	KIMN	FM	Hot Adult Contemporary				Bulletins, Posters,
#22 Radio	KXKL-FM	FM	Classic Hits				Mall Posters
#18 Television							
Portland, OR	KVMX	FM	Rhythmic AC ("Movin")				Bulletins, Mall
	KINK	FM	Adult Album Alternative				Posters, Posters
#23 Radio	KLTH	FM	Classic Hits				
#23 Television	KUFO-FM	FM	Active Rock				
	KUPL-FM	FM	Country				
	KCMD	AM	Comedy				
Pittsburgh, PA	KDKA	AM	News/Talk	KDKA-TV	VHF/2	CBS	Bulletins, Mall
	WRKZ	FM	Rock	WPCW-TV	UHF/19	The CW	Posters
#24 Radio	WDSY-FM	FM	Country				
#22 Television	WZPT	FM	Hot Adult Contemporary				
Riverside, CA	KFRG	FM	Country				
	KVFG	FM	Country				
#25 Radio	KRAK	AM	Adult Standards				
	KXFG	FM	Country				

(1) Radio market rank based on Fall 2006 Radio Market Ranking as provided by Arbitron Inc. Television market rank based on Nielsen Station Index DMA Market and Demographic Rank, September 2006.

(2) Sub-market of New York City. The Company's New York City radio and television stations serve Nassau-Suffolk.

Outdoor (15%, 14% and 13% of the Company's consolidated revenues in 2006, 2005 and 2004, respectively)

The Company sells, through its Outdoor businesses, advertising space on various media, including billboards, transit shelters, buses, rail systems (in-car, station platform and terminal), mall kiosks, masts and stadium signage. It has outdoor advertising operations in more than 100 markets in North America, including all 50 of the largest metropolitan markets in the U.S., 19 of the 20 largest metropolitan markets in Canada and all 45 of the largest metropolitan markets in Mexico. Additionally, Outdoor has the exclusive rights to manage advertising space on approximately 87% of the total bus fleet in the U.K. and has a variety of outdoor advertising displays in the Netherlands, France, Italy, the Republic of Ireland, Spain and China. The Company operates its Outdoor businesses through CBS Outdoor in the U.S., Canada and Europe and through Vendor in Mexico. The "Radio Stations, Television Stations and Outdoor Advertising Displays" table above includes information with regard to the Company's outdoor advertising properties in the top 25 U.S. radio markets.

The substantial majority of Outdoor's revenues are generated from the sale of local, regional and national advertising. Advertising rates are based on supply and demand for the particular locations, which are influenced by a particular display's exposure known as "impressions" delivered in relation to the demographics of the particular market and its location within that market. Currently, these impressions are not measured by independent third parties. The Company cannot predict the impact, if any, on the Outdoor business should impressions become measured independently. The major categories of out-of-home advertisers include: entertainment, media, automotive, beverage, financial, real estate, retail, healthcare, telecommunications, restaurants, health and beauty aids, hotels and professional services. Out-of-home media industry advertising expenditures by retailers and the entertainment industry fluctuate, which has an effect on Outdoor's revenues.

Outdoor generally operates in the billboard, transit and street furniture advertising markets. Outdoor primarily operates two types of billboard advertising displays, commonly referred to as "bulletins" and

"posters." Billboard space is generally sold for periods ranging from 4 weeks to 12 months. Billboards are generally mounted on structures owned by Outdoor located on leased real property. Lease agreements are negotiated with both public and private landowners for varying terms ranging from month-to-month to year-to-year and can be for terms of 10 years or longer, and many provide for renewal options. There is no significant concentration of displays under any one lease or subject to negotiation with any one landlord. New technologies for outdoor advertising displays, such as changeable message displays and digital billboards using light-emitting diode and liquid crystal display technology, continue to evolve. The Company keeps apprised of and has adopted such new technologies as they evolve and mature. For example, Outdoor is utilizing digital technology containing moving images in the London Underground and New York City subways.

Transit advertising includes advertising on or in transit systems, including the interiors and exteriors of buses, trains and trams and at rail stations. Transit advertising contracts are negotiated with public transit authorities and private transit operators and generally provide for payment to the transit authority of a percentage of the revenues, a fixed payment, or the greater of a percentage of the revenues or a fixed payment. Where revenues are lower than anticipated, the minimum amount required to be paid to a transit authority may exceed, or be a high percentage of, the advertising revenues received by Outdoor under that advertising contract. In July 2006, Outdoor reached an 8.5 year agreement to sell advertising on the London Underground. During 2006, Outdoor's contracts terminated with the City of New York for bus shelters, and with the New York City Metropolitan Transportation Authority to handle display advertising on buses, commuter rail cars and in Metro-North and Long Island Railroad stations.

Street furniture displays, the most common of which are bus shelters, reach both vehicular and pedestrian audiences. Bus shelters are usually constructed, installed and maintained by Outdoor. Most of Outdoor's bus shelter contracts include revenue-sharing arrangements with a municipality or transit authority and often include minimum required payments. Street furniture contracts usually involve a competitive bidding process and contracts typically are for a term of between 10 to 20 years. Contracts are awarded on the basis of projected revenues to the municipality, including minimum payments, and Outdoor's willingness to construct public facilities, such as bus shelters, public toilets and information kiosks. In both its transit and street furniture negotiations, Outdoor seeks to reduce minimum payment obligations on new agreements and on renewal of existing agreements. This position may make it more difficult to enter into new agreements or to renew certain existing agreements.

Outdoor's business strategy involves expanding its presence in major selected markets, to grow its revenues and cash flow by being a leading provider of out-of-home advertising services in the markets it serves, controlling costs, developing and entering into new markets and using advanced technologies to build greater awareness and promote tactical advertising. In addition, the Company purchases outdoor advertising assets within its existing markets or in contiguous markets. The Company believes that there will be continuing opportunities for implementing its acquisition and development strategies given the outdoor advertising industry's fragmentation. This is particularly true in the international markets where there are opportunities for Outdoor to increase profitability both from acquiring additional assets in or near its existing operations and from future acquisitions in new markets.

Outdoor Competition. The outdoor advertising industry is fragmented, consisting of several large companies involved in outdoor advertising such as Clear Channel Outdoor Holdings Inc., JC Decaux S.A., Cemusa Inc. and Lamar Advertising Company as well as hundreds of smaller and local companies operating a limited number of display faces in a single or a few local markets. The Company also competes with other media, including broadcast and cable television, radio, print media, the Internet and direct mail marketers, within their respective markets. In addition, it competes with a wide variety of out-of-home media, including advertising in shopping centers, airports, movie theaters, supermarkets and taxis. Advertisers compare relative costs of available media and cost-per-thousand impressions, particularly when delivering a message to customers with distinct demographic characteristics. In competing with other media, the outdoor advertising industry relies on its relative cost efficiency and its ability to reach a broad segment in a specific market or to target a particular geographic area or population with a particular demographic within that market. The Company keeps apprised of the evolution of new technologies in the industry. As new technologies such as digital billboards prove desirable to Outdoor's customers and deliver appropriate returns on investment, the Company's costs could increase.

The Company believes that its strong emphasis in sales and customer service and its position as a leading provider of advertising services in each of its primary markets as well as its international inventory enables it to compete effectively with the other outdoor advertising companies, as well as other media, within those markets.

Publishing (6%, 5% and 5% of the Company's consolidated revenues in 2006, 2005 and 2004, respectively)

The Publishing segment consists of Simon & Schuster, which publishes and distributes consumer books in the U.S. and internationally.

Simon & Schuster publishes and distributes adult and children's consumer books in printed, audio and digital formats in the U.S. and internationally. Simon & Schuster's major adult imprints include *Simon & Schuster*, *Pocket Books, Scribner* and *Free Press*. Simon & Schuster's major children's imprints include *Simon Spotlight®, Aladdin Paperbacks®* and *Simon & Schuster Books For Young Readers* . Simon & Schuster also develops special imprints and publishes titles based on CBS Network's and Showtime Networks' products as well as that of third parties and distributes products for other publishers. Simon & Schuster distributes its products directly and through third parties. Simon & Schuster also delivers content and promotes its products on Internet sites linked to individual titles. International publishing includes the international distribution of English-language titles through Simon & Schuster UK, Simon & Schuster Canada and Simon & Schuster Australia and other distributors, as well as the publication of local titles by Simon & Schuster UK.

In 2006, Simon & Schuster published 111 titles that were New York Times bestsellers, including 16 New York Times #1 bestsellers. Best-selling titles in 2006 include *YOU: On A Diet* by Michael F. Roizen, M.D. and Mehmet C. Oz, M.D., *State of Denial* by Bob Woodward and *Lisey's Story* by Stephen King. Bestselling children's titles from Simon & Schuster include *Pirates* by John Matthews and *Our 50 States* by Lynne Cheney. *Simon & Schuster Digital* , through *SimonSays.com*, publishes original content, builds reader communities and promotes and sells Simon & Schuster's books over the Internet.

The consumer publishing marketplace is subject to increased periods of demand in the summer months and during the end-of-year holiday season. Major new title releases represent a significant portion of Simon & Schuster's sales throughout the year. Simon & Schuster's top 10 accounts drive a significant portion of its annual revenue. Consumer books are generally sold on a fully returnable basis, resulting in the return of unsold books. In the domestic and international markets, the Company is subject to global trends and local economic conditions.

Publishing Competition. The consumer publishing business is highly competitive and has been affected over the years by consolidation trends. Significant mergers have occurred among the leading consumer publishers. Warehouse clubs and book superstores remain significant factors in the industry contributing to the general trend toward consolidation in the retail channel. There have also been a number of mergers completed in the distribution channel. The Company must compete with other larger publishers such as Random House, Penguin Group and Harper Collins for the rights to works by authors. Competition is particularly strong for well-known authors and public personalities.

REGULATION

The Company's businesses are either subject to or affected by regulations of federal, state and local governmental authorities. The rules, regulations, policies and procedures affecting these businesses are subject to change. The descriptions which follow are summaries and should be read in conjunction with the texts of the statutes, rules and regulations described herein. The descriptions do not purport to describe all present and proposed statutes, rules and regulations affecting the Company's businesses.

Intellectual Property

Laws affecting intellectual property are of significant importance to the Company. (See "Intellectual Property" on page I-23).

Copyright Law and Content. In the U.S., the copyright term for authored works is the life of the author plus 70 years. For works made-for-hire, the copyright term is the shorter of 95 years from the first publication or 120 years from creation.

Unauthorized Distribution and Piracy. Unauthorized distribution of copyrighted material over the Internet without regard to content owners' copyright rights in television programming and clips, such as through file "sharing" and peer-to-peer services, is a threat to copyright owners' ability to protect and exploit their property. The Company is engaged in enforcement and other activities to protect its intellectual property and has participated in various litigations, educational and public relations programs and legislative activity. In addition to these efforts, the Company is exploring possibilities for commercial arrangements with various online providers to further protect and exploit its content.

Broadcasting

General. Television and radio broadcasting are subject to the jurisdiction of the FCC under the Communications Act. The Communications Act empowers the FCC, among other actions, to issue, renew, revoke and modify broadcasting licenses; determine stations' frequencies, locations and operating power; regulate some of the equipment used by stations; adopt other regulations to carry out the provisions of the Communications Act and other laws, including requirements affecting the content of broadcasts; and to impose penalties for violation of its regulations, including monetary forfeitures, short-term renewal of licenses and, in egregious cases, license revocation or denial of license renewals.

Under the Communications Act, the FCC also regulates certain aspects of the operation of cable and DTH satellite systems and certain other electronic media that compete with broadcast stations.

Indecency Regulation. The FCC's rules prohibit the broadcast of obscene material at any time and indecent or profane material between the hours of 6 a.m. and 10 p.m. Broadcasters risk violating the prohibition against broadcasting indecent or profane material because of the vagueness of the FCC's definition of indecent material, coupled with the spontaneity of live programming. The FCC in the last several years has stepped up its enforcement activities as they apply to indecency, and has threatened to initiate license revocation proceedings against broadcast licensees for "serious" indecency violations. Legislation has also been enacted by Congress that increases the penalties for broadcasting indecent programming to a maximum of $325,000 per indecent utterance, and, in the past, legislation has been introduced that would potentially increase the exposure of broadcasters to license revocation, renewal or qualifications proceedings in the event that they broadcast indecent material. In 2004, the FCC notified the Company of apparent liability for a $550,000 forfeiture relating to the broadcast of the Super Bowl half-time show by the Company's CBS television stations. The FCC had also previously initiated enforcement proceedings in response to allegations that several of the Company's radio stations had broadcast indecent material. In November 2004, the Company entered into a Consent Decree with the FCC pursuant to which all of these proceedings, other than the Super Bowl proceeding, were dismissed with prejudice and the Company agreed to make a voluntary contribution to the U.S. Treasury in the amount of $3.5 million, which has been paid. The Consent Decree also obligated the Company to provide training with respect to FCC indecency regulation to programming-related personnel at its broadcast television and radio operations and to implement other measures to reduce the risk of broadcasting indecent material. Since the Company and the FCC entered into the Consent Decree, additional complaints have been filed with the FCC alleging indecency violations at some of the Company's radio and television stations and the FCC has issued numerous Letters of Inquiry requesting information about such matters. On March 15, 2006, the FCC released three decisions relating to indecency complaints against the CBS Network and certain of the Company's television stations. In the first order, the FCC ruled on the Super Bowl proceeding and ordered the Company to pay a forfeiture of $550,000, which was paid under protest so that the Company could bring an appeal. The Company has appealed the Super Bowl decision in the U.S. Court of Appeals for the Third Circuit. In the second order, the FCC notified certain of the Company's television stations and certain affiliates of the CBS 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. In the third order, as part of an omnibus indecency order, the FCC ruled that a broadcast of *The Early Show* was indecent, but declined to issue a forfeiture. That decision and others are the subject of a petition for review filed in the U.S. Court of Appeals for the Second Circuit by the Company, as well as the other broadcast networks and their affiliate associations. The U.S. Court of Appeals for the Second Circuit remanded the matter to the FCC and, on November 6, 2006, the FCC issued a decision reversing the part of its decision that found *The Early Show* broadcast to be indecent. However, the FCC affirmed its findings that fleeting and isolated utterances broadcast on another network are indecent, and the case continues to be litigated by the parties. The parties are awaiting a decision. Some policymakers support the extension of the indecency rules that are applicable to over-the-air broadcasters to cover cable and satellite programming and/or attempts to increase enforcement of or otherwise expand existing laws and rules. If such an extension, increase in enforcement or other expansion took place and were found to be constitutional, some of the Company's cable content could be subject to additional regulation and might not be able to attract the same subscription and viewership levels.

License Renewals. Radio and television broadcast licenses are granted for a term of eight years. The Communications Act requires the FCC to renew a broadcast license if the FCC finds that the station has served the public interest, convenience and necessity and, with respect to the station, there have been no serious violations by the licensee of either the Communications Act or the FCC's rules and regulations and there have been no other violations by the licensee of the Communications Act or the FCC's rules and regulations that, taken together, constitute a pattern of abuse. The Company has a number of pending renewal applications, 13 of which have been opposed by third parties, and will file renewal applications for its New York and Pennsylvania television station licenses in 2007.

License Assignments. The Communications Act requires prior FCC approval for the assignment of a license or transfer of control of an FCC licensee. Third parties may oppose the Company's applications to transfer or acquire additional broadcast licenses.

Ownership Regulation. The Communications Act and FCC rules and regulations limit the ability of individuals and entities to have an official position or ownership interest, known as an "attributable" interest, above specific levels in broadcast stations as well as in other specified mass media entities. In seeking FCC approval for the acquisition of a broadcast radio or television station license, the acquiring person or entity must demonstrate that the acquisition complies with the FCC's ownership rules or that a waiver of the rules is in the public interest.

In 2003, the FCC completed a comprehensive review of all of its broadcast ownership rules (the "Omnibus Ownership Review"), including the local radio ownership rule, the local television ownership rule, the television national audience reach limitation, the dual network rule, the newspaper-broadcast cross-ownership rule and the radio-television cross-ownership rule, and adopted revised rules. Under the new rules, the Company would have been permitted to expand its television and radio station holdings in a number of markets. Several parties, however, appealed the FCC's decision to the U.S. Court of Appeals for the Third Circuit. In January 2004, Congress passed legislation establishing a national television audience reach limitation of 39%. This legislation superseded the FCC's decision in the Omnibus Ownership Review to raise the limitation to 45%. In June 2004, the U.S. Court of Appeals for the Third Circuit remanded most of the other revised rules to the FCC for additional justification or modification, including new cross-media limits the FCC had established and certain revisions to the local radio and television ownership rules. Pending the U.S. Court of Appeals for the Third Circuit's subsequent review of the FCC's future decision on remand, a stay of the new broadcast ownership rules, except for the new local radio ownership rules, will remain in effect. The U.S. Supreme Court declined to accept review of the case. On July 24, 2006, the FCC initiated a proceeding in response to the remand order, which seeks to address the issues raised by the Court's opinion.

The FCC's ownership rules, as currently in effect, and the new rules that remain subject to the court's stay, are briefly summarized below.

Local Radio Ownership. The FCC's new local radio ownership rule is not subject to the U.S. Court of Appeals for the Third Circuit's stay and applies in all markets where the Company owns radio stations. Under that rule, one party may own up to eight radio stations in the largest markets, no more than five of which may be either AM or FM. With a few exceptions, the rule permits the common ownership of 8 radio stations in the top 50 markets, where CBS Radio has significant holdings. In the Omnibus Ownership Review, the FCC changed its method of defining local radio markets and counting the number of stations in a particular market, but not the numeric limits. As a result of the change in the method used for defining and counting the number of stations in a local radio market, the Company's radio portfolio exceeds the FCC's numerical limit in two markets, Baltimore and West Palm Beach. While the new rule does not require the divestiture of any existing radio ownership combinations, the Company is not permitted to transfer its radio portfolios in those two markets intact, except to qualified small businesses.

Local Television Ownership. Under the FCC's local television ownership rule as currently in effect, one party may own up to two television stations in the same DMA, so long as at least one of the two stations is not among the top four-ranked stations in the market based on audience share as of the date an application for approval of an acquisition is filed with the FCC, and at least eight independently owned and operating full-power television stations remain in the market following the acquisition. Further, without regard to the number of remaining independently owned television stations, the rule as in effect permits the ownership of two television stations within the same DMA so long as certain signal contours of the stations involved do not overlap. The new rule would eliminate the exception for non-overlapping stations and the requirement for a minimum of eight independently owned and operated stations in a DMA. Under the new rule, one party could own up to 3 television stations in DMAs with 18 or more television stations and up to 2 television stations in DMAs with fewer than 18 television stations. The FCC, however, retained the prohibition of ownership of two top four-ranked stations, with limited exceptions. Under the rule as in effect, and the new rule, satellite stations that simply rebroadcast the programming of a "parent" station are exempt from the local television ownership rule if located in the same DMA as the "parent" station.

Television National Audience Reach Limitation. Under the national television ownership rule, as modified by Congress in 2004, one party may not own television stations which reach more than 39% of all U.S. television households. For purposes of calculating the total number of television households reached by a station, the FCC attributes a UHF television station with only 50% of the television households in its market. The Company currently owns and operates television stations that have an aggregate television national audience reach for purposes of the national ownership limitation of approximately 38%, after applying the UHF discount.

Radio-Television Cross-Ownership Rule. The radio-television cross-ownership rule as currently in effect limits the common ownership of radio and television stations in the same market. The numeric limit varies according to the number of independent media voices in the market. The Company owns a combination of radio and television stations in the Los Angeles market in excess of the limit currently in effect. The Company has an application pending before the FCC which, if granted, would bring the Company into compliance with the rule.

New Cross-Media Limits. The FCC repealed the radio-television cross-ownership rule in the Omnibus Ownership Review and replaced it, as well as the newspaper-broadcast cross-ownership rule, with new cross-media limits. Under the new cross-media limits, there would be no cross-media limits in DMAs with nine or more television stations. In DMAs with four to eight television stations, radio and television cross-ownership would be permitted without any limitation, so long as there is no common ownership of a daily newspaper. The new rule would prohibit radio and television station cross-ownership only in markets with three or fewer television stations. The Company's radio and television portfolio complies with the new cross-media limits assuming that they go into effect without modifications.

Dual Network Rule. The dual network rule prohibits any of the four major networks, ABC, CBS, FOX and NBC, from combining. The FCC made no change to this rule in the Omnibus Ownership Review.

Attribution of Ownership. Under the FCC's attribution rules, a direct or indirect purchaser of various types of securities of an entity which holds FCC licenses, such as the Company, could violate the foregoing FCC ownership regulations or policies if that purchaser owned or acquired an "attributable" interest in other media properties. Under the FCC's rules, an "attributable" interest for purposes of the FCC's broadcast ownership rules generally includes: equity and debt interests which combined exceed 33% of a licensee's total assets, if the interest holder supplies more than 15% of the licensee's total weekly programming, or has an attributable same-market media interest, whether television, radio, cable or newspaper; a 5% or greater direct or indirect voting stock interest, including certain interests held in trust, unless the holder is a qualified passive investor in which case the threshold is a 20% or greater voting stock interest; any equity interest in a limited liability company or a partnership, including a limited partnership, unless properly "insulated" from management activities; and any position as an officer or director of a licensee or of its direct or indirect parent. The FCC is currently reviewing its single majority voting shareholder attribution exemption which renders as non-attributable voting interests up to 49% in a licensee controlled by a single majority voting shareholder. Because the Company and Viacom Inc. have the same single majority voting shareholder, the business of each company is attributable to the other for certain FCC purposes, which may have the effect of limiting the activities or strategic business alternatives available to the Company. (See Item 1A. Risk Factors "The Businesses of the Company and Viacom Inc. Will Be Attributable to the Other Company for Certain Regulatory Purposes").

Alien Ownership. The Company periodically surveys its public shareholders to ascertain compliance with provisions in the Communications Act that limit the ability of foreign entities or individuals to own or hold interests in broadcast licenses. In general, the Communications Act prohibits foreign individuals or entities from owning more than 20% of the voting power or equity of the Company.

Digital Television Service. The FCC has taken a number of steps to implement digital television broadcasting service in the U.S. The FCC has attempted to provide digital television coverage areas that are comparable to stations' existing service areas and has provided all licensed television stations with a second channel on which to broadcast a digital television signal. Licensees are permitted to use their digital channels for a wide variety of services such as high definition video programming, multiple channels of standard definition video programming, audio, data, and other types of communications, subject to the requirement that each broadcaster provide at least one free over-the-air video program signal at least comparable in resolution to the station's analog programming transmissions.

As part of the nationwide transition from analog to digital broadcasting, all full power commercial television stations are required to transmit a digital signal 100% of the time they are transmitting an analog signal. All of the Company's full power television stations have commenced digital broadcasting, except for the Company's The CW-affiliated station in the Pittsburgh market, which has a pending application for digital authorization.

Congress has passed a law setting February 17, 2009 as the date that U.S. full power television broadcasters must cease transmitting analog television signals. The law sets aside $1.5 billion in subsidies to help consumers obtain converter boxes that will allow analog television sets to receive digital broadcasts. The Company has incurred considerable costs in the conversion to digital television and is unable to predict the effect of the cessation of analog broadcasting and the extent or timing of consumer demand for digital television services and the resulting impact on the Company's viewership.

Cable and Satellite Carriage of Television Broadcast Stations. The 1992 Cable Act and implementing FCC regulations govern the retransmission of commercial television stations by cable television operators. Every three years, each station must elect, with respect to cable systems within its DMA, either "must carry" status, pursuant to which the cable system's carriage of the station is mandatory, or "retransmission consent," pursuant to which the station gives up its right to mandatory carriage in order to negotiate consideration in return for consenting to carriage. Generally, the Company has elected the retransmission consent option for the period beginning January 1, 2006.

Similarly, federal legislation and FCC rules govern the retransmission of broadcast television stations by DTH satellite operators. DTH satellite operators are required to carry the signals of all local television broadcast stations requesting carriage in local markets in which the DTH satellite operator carries at least one signal pursuant to the statutory local-to-local compulsory copyright license. Every three years, each television station in such markets must elect "must carry" or "retransmission consent" status, in a manner similar to that described above with respect to cable systems. Almost all of the Company's owned and operated television stations are being transmitted into their local markets by the two major DTH satellite operators pursuant to retransmission consent agreements.

The foregoing relates to cable and satellite carriage of analog television broadcast stations. Although a single programming stream transmitted by each digital television station will be required to be carried on both distribution platforms after the end of the digital television transition period, the FCC, in February 2005, affirmed that it will not require cable operators either to carry both a station's analog and digital signals during the transition period or, after the conversion to digital, to carry more than a station's primary video programming channel. However, the Company has agreements with a number of multiple system operators that require carriage of the digital and analog signals of the Company-owned television stations during the transition (including multiple streams of digital programming).

Children's Television Programming. Federal legislation and FCC rules limit the amount and content of commercial matter that may be shown on television stations during programming designed for children 12 years of age and younger, and require stations to broadcast on their main program stream three hours per week of educational and informational programming ("E/I programming") designed for children 16 years of age and younger. Effective as of January 2, 2007, FCC rules impose E/I programming requirements on each additional digital multicast program stream transmitted by television stations, with the requirement increasing in proportion to the additional hours of free programming offered on multicast channels. These rules also limit the display during children's programming of Internet addresses of Web sites that contain or link to commercial material or that use program characters to sell products.

Program Access. Under the Communications Act, vertically integrated cable programmers (more fully described below) are generally prohibited from offering different prices, terms or conditions to competing multichannel video programming distributors unless the differential is justified by certain permissible factors set forth in the FCC's regulations. The FCC's "program access" rules also limit the ability of a vertically integrated cable programmer to enter into exclusive distribution arrangements with cable operators. A cable programmer is considered to be vertically integrated under the FCC's program access attribution rules if it owns or is owned by a cable operator in whole or in part. Cable operators for this purpose may include telephone companies that provide video programming directly to subscribers. The Company's wholly owned program services are not currently subject to the program access rules. The Company's flexibility to negotiate the most favorable terms available for carriage of these services and its ability to offer cable operators exclusive programming could be adversely affected if it were to become subject to the program access rules. Certain actions of the Company with respect to program access rules are addressed under the terms of a separation agreement, which is filed as an exhibit to this report (the "Separation Agreement"), between the Company and Viacom Inc. (See Item 1A. Risk Factors "The Separation Agreement Prohibits the Company from Engaging in Certain Types of Businesses").

Digital Radio. For a number of years, the FCC has been developing rules that would permit existing AM and FM radio broadcast stations to broadcast digitally in order both to improve sound quality and to provide spectrum for enhanced data services to complement the existing programming service and provide new business opportunities for radio broadcasters, including multicasting opportunities. In 2002, the FCC authorized FM radio stations (on a full-time basis) and AM radio stations (on a daytime only basis) to broadcast digital signals using excess spectrum in the same channel used for analog transmissions. The FCC is still developing final rules for the conversion of radio stations to digital, and has not mandated use of the technology or established any timetable for conversion to digital. Despite the lack of such a mandate, the Company has recently committed to converting 131 of its radio stations to digital broadcasting technology over the next several years, 79 of which had been converted at December 31, 2006. CBS Radio and other broadcasters have formed the Digital Alliance and have made commitments that will result in over 2,000 AM and FM stations converting to digital technology nationwide, including in the top 100 radio markets.

Payola. The Attorney General of the State of New York has been conducting an investigation of record companies, radio stations and independent record promoters relating to the promotion and selection of music on radio stations, principally to determine whether radio stations have received undisclosed payments which were tied to their decisions on what songs to play, a practice commonly referred to as "payola." The Attorney General has entered into a settlement agreement with CBS Radio pursuant to which CBS did not admit to any violation of any law or regulation, but agreed to implement certain business reforms. CBS Radio also agreed to make a $2.0 million payment to Rockefeller Philanthropy Advisors in connection with the settlement. The Attorney General has also entered into settlements with the major record labels and with one other major radio company. The FCC, based on information provided to it by the Attorney General, has also initiated a "payola" investigation and CBS Radio is in the process of providing further information which the FCC has requested pursuant to a Letter of Inquiry.

Outdoor

The outdoor advertising industry is subject to extensive governmental regulation at the federal, state and local levels in the U.S. and to national, regional and local restrictions in foreign countries. These regulations can affect the operation of advertising displays and include restrictions on the construction, repair, upgrading, height, size and location of outdoor advertising structures and, in some instances, the content of advertising copy that can be displayed on these structures. In addition, in recent years, outdoor advertising has become the subject of targeted state and municipal taxes and fees. These laws may affect competitive conditions in various markets in various ways. Such laws may reduce the Company's expansion opportunities, or may increase or reduce competitive pressure from others. No assurance can be given that existing or future laws or regulations and the enforcement thereof will not materially and adversely affect the Outdoor business.

Under U.S. law, principally the Highway Beautification Act of 1965 (the "HBA"), outdoor advertising is controlled on primary and interstate highways built with federal financial assistance. As a condition to federal highway assistance, the HBA requires states to restrict billboards on such highways to commercial and industrial areas, and imposes certain additional size, spacing and other requirements associated with the installation and operation of billboards. Outdoor is not aware of any states which have passed laws and adopted regulations which are less restrictive than the federal requirements, including the obligation on the part of the billboard owner to remove, at the owner's expense and without compensation, any non-grandfathered signs on such highways that do not comply with such requirements. Outdoor does not believe that the number of its billboards that may be subject to removal under these regulations is material. No state in which Outdoor operates has banned billboards, but some have adopted standards more restrictive than the federal requirements. Municipal and county governments generally also have sign controls as part of their zoning laws and building codes. Some state and local governments prohibit construction of new billboards and some allow new construction only to replace existing structures, although most allow construction of billboards subject to restrictions on zoning, size, spacing, height and type of construction. In some cases, the construction of new billboards or the relocation or modification of existing billboards is prohibited. A number of cities including New York City, Los Angeles, Philadelphia and Miami have implemented or initiated legislative billboard controls, including imposing taxes, fees and/or registration requirements in an effort to decrease or restrict the number of outdoor signs and/or to raise revenue. The Company contests such laws and regulations that it believes unlawfully restrict its constitutional or other legal rights and may adversely impact the growth of its outdoor advertising business.

U.S. law neither requires nor prohibits removal of existing lawful billboards, but it does require payment of compensation if a state or political subdivision compels the removal of a lawful billboard along a primary or interstate highway that was built with federal financial assistance. State governments have purchased and removed legal billboards for beautification objectives in the past using federal funding for transportation enhancement programs, and may do so in the future. State government authorities from time to time use the power of eminent domain to remove billboards. Thus far, Outdoor has been able to obtain satisfactory compensation for its billboards purchased or removed as a result of this type of governmental action, although there is no assurance that this will continue to be the case in the future. Local governments do not generally purchase billboards for beautification, but some have attempted to force removal of legal but nonconforming billboards (billboards which conformed with applicable zoning regulations when built but which do not conform to current zoning regulations) after a period of years under a concept called amortization. Under this concept the governmental body asserts that just compensation is earned by continued operation of the billboard over time. Although there is some question as to the legality of amortization under federal and many state laws, amortization has been upheld in some instances. Outdoor generally has been successful in negotiating settlements with municipalities for billboards required to be removed. Restrictive regulations also limit Outdoor's ability to rebuild or replace nonconforming billboards.

As the owner or operator of various real properties and facilities in outdoor advertising operations, the Company must comply with various U.S. federal, state and local and foreign environmental, health, safety and land use laws and regulations. The Company and its properties are subject to such laws and regulations relating to the use, storage, disposal, emission and release of hazardous and non-hazardous substances and employee health and safety, as well as zoning and other land use restrictions which may affect, among other things, the hours of operation and illumination as well as methods and conditions of maintenance of facilities and advertising installation. Historically, the Company has not incurred significant expenditures to comply with these laws. However, future laws or a finding of a violation of or liability under existing laws could require the Company to make significant expenditures and otherwise limit or restrict its ability to use or operate some of its displays.

Out-of-court settlements between the major U.S. tobacco companies, the U.S. government, and all 50 states include a ban on the outdoor advertising of tobacco products. State and local governments continue to initiate proposals designed to limit outdoor advertising of alcohol. Other products and services may be targeted in the future. Legislation regulating alcohol-related advertising due to content-related restrictions could cause a reduction in Outdoor's direct revenue from such advertisements and a simultaneous increase in the available space on the existing inventory of billboards in the outdoor advertising industry.

INTELLECTUAL PROPERTY

The Company creates, owns and distributes intellectual property worldwide. It is the Company's practice to protect its television and radio products, characters, publications and other original and acquired works and audiovisual works made for online and wireless exploitation. The following logos, trade names, trademarks and related trademark families are among those strongly identified with the product lines they represent and are significant assets of the Company: *CBS®, CBS Entertainment , CBS News®, CBS Sports®, CBS Radio , Showtime®, The Movie Channel , Flix®, CBS Outdoor , King World®, Spelling Television®, Entertainment Tonight®, Star Trek®, Simon & Schuster®, Pocket Books®, CSTV College Sports Television*®, *CBS Sportsline , CBS Interactive* and all the call letters for the Company's television and radio stations. As a result, domestic and foreign laws protecting intellectual property rights are important to the Company and the Company actively enforces its intellectual property rights against infringements.

EMPLOYEES

At December 31, 2006, the Company employed approximately 23,654 people including full-time and part-time salaried employees.

FINANCIAL INFORMATION ABOUT SEGMENTS AND FOREIGN AND DOMESTIC OPERATIONS

Financial and other information by segment and relating to foreign and domestic operations for each of the last three years ending December 31 is set forth in Note 16 to the Consolidated Financial Statements.

AVAILABLE INFORMATION

CBS Corp. makes available free of charge on or through the Investor Relations section of its Web site, www.cbscorporation.com, its Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and any amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934. Such material is made available through the Company's Web site as soon as reasonably practicable after such material is electronically filed with or furnished to the Securities and Exchange Commission. On June 22, 2006, the Company submitted to the New York Stock Exchange the Annual CEO Certification required by Section 303A 12(a) of the New York Stock Exchange Listing Manual. The Company filed with the Securities and Exchange Commission the certifications required under Section 302 of the Sarbanes-Oxley Act of 2002 as Exhibits 31(a) and 31(b) to its Annual Report on Form 10-K for the year ended December 31, 2005.

Item 1A. ***Risk Factors.***

CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

This document and the documents incorporated by reference into this Annual Report on Form 10-K, including "Item 7. Management's Discussion and Analysis of Results of Operations and Financial Condition," contain 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. More information about these risks, uncertainties and other factors is set forth below. 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 only 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.

RISK FACTORS

For an enterprise as large and complex as the Company, a wide range of factors could affect our business and financial results. The factors described below are considered to be the most significant. There may be other currently unknown or unpredictable economic, business, competitive, regulatory or other factors that could have material adverse effects on the Company's future results. Past financial performance may not be a reliable indicator of future performance and historical trends should not be used to anticipate results or trends in future periods.

A Decline in Advertising Expenditures Could Cause the Company's Revenues and Operating Results to Decline Significantly in Any Given Period or in Specific Markets

The Company derives substantial revenues from the sale of advertising on its broadcast and basic cable networks, television stations, radio stations, outdoor media and syndicated programming. A decline in the economic prospects of advertisers, the economy in general or the economy of any individual geographic market, particularly a major market such as Los Angeles, New York or Chicago, in which the Company owns and operates sizeable businesses, could alter current or prospective advertisers' spending priorities. Disasters, acts of terrorism, political uncertainty or hostilities could lead to a reduction in advertising expenditures as a result of uninterrupted news coverage and economic uncertainty. Advertising expenditures may also be affected by increasing competition for the leisure time of audiences. In addition, advertising expenditures by companies in certain sectors of the economy, including the automotive, financial and pharmaceutical segments, represent a significant portion of the Company's advertising revenues. Any political, economic, social or technological change resulting in a reduction in these sectors' advertising expenditures may adversely affect the Company's revenue. Advertisers' willingness to purchase advertising from the Company may also be affected by a decline in audience ratings for the Company's programming, the inability of the Company to retain the rights to popular programming, increasing audience fragmentation caused by the proliferation of new media formats, including cable networks, the Internet and video-on-demand and the deployment of portable digital devices which allow consumers to time shift programming and skip or fast forward through advertisements. The Company's revenues from outdoor advertising also depend on the Company's continued ability to obtain the right to use effective outdoor advertising space. Any reduction in advertising expenditures could have an adverse effect on the Company's revenues and results of operations.

The Company's Success Is Dependent upon Audience Acceptance of Its Content, Particularly Its Television and Radio Programs, Which Is Difficult to Predict

Television and radio content production and distribution are inherently risky businesses because the revenues derived from the production and distribution of a television or radio program, and the licensing of rights to the intellectual property associated with the program, depend primarily upon their acceptance by the public, which is difficult to predict. The commercial success of a television or radio program also depends upon the quality and acceptance of other competing programs released into the marketplace at or near the same time, the availability of alternative forms of entertainment and leisure time activities, general economic conditions and other tangible and intangible factors, all of which are difficult to predict. Rating points are also factors that are weighed when determining the advertising rates that the Company receives. Poor ratings can lead to a reduction in pricing and advertising spending. For example, there can be no assurance that any replacement programming on the Company's radio or television stations will generate the same level of revenues or profitability of previous programming. In addition, the success of the Company's cable networks and Simon & Schuster is dependent in part on audience acceptance of its programming and publications, respectively. Consequently, low public acceptance of the Company's content, particularly its television and radio programs, will have an adverse effect on the Company's results of operations.

Failure by the Company to Obtain, Create and Retain the Rights in Popular Programming Could Adversely Affect the Company's Revenues

Operating results from the Company's programming businesses fluctuate primarily with the acceptance of such programming by the public, which is difficult to predict. The Company's revenue from its television and radio business is therefore partially dependent on the Company's continued ability to anticipate and adapt to changes in consumer tastes and behavior on a timely basis. Moreover, the Company derives a meaningful portion of its revenues from the exploitation of its extensive library of television programming. Generally, a television series must have a network run of at least three or four years to be successfully sold in domestic syndication. If the content of its television programming library ceases to be widely accepted by audiences or is not continuously replenished with popular content, the Company's revenues could be adversely affected. The Company obtains a significant portion of its popular programming from third parties. For example, some of CBS Network's most widely viewed broadcasts, including the NCAA Division 1 Men's Basketball Championship, golf's Masters Tournament and PGA Championship, and NFL games, are made available based upon programming rights of varying duration that the Company has negotiated with third parties. In addition, Showtime Networks enters into commitments to acquire rights to certain programming for *Showtime*, *The Movie Channel* and *FLIX* from motion picture producers and other suppliers for varying durations, and CBS Radio acquires the broadcast rights to syndicated shows and to various programs, such as sports events from third parties. Competition for popular programming that is licensed from third parties is intense, and the Company may be outbid by its competitors for the rights to new, popular programming or in connection with the renewal of popular programming currently licensed by the Company. The Company's failure to obtain or retain rights to popular content could adversely affect the Company's revenues.

Any Decrease in Popularity of the Programming for Which the Company Has Incurred Significant Commitments Could Have an Adverse Effect on Its Profitability

Programming and talent commitments of the Company, estimated to aggregate approximately $13.61 billion as of December 31, 2006, primarily included $8.83 billion for the acquisition of sports programming rights, $3.33 billion relating to television, radio and film production and acquisitions and $961.6 million for talent contracts. A majority of such fees are payable over several years, as part of the normal course of business. A shortfall, now or in the future, in the expected popularity of the sports events for which the Company has acquired rights, or in the television and radio programming the Company expects to air, could lead to decreased profitability or losses for a significant period of time.

The Company's Operating Results Are Subject to Seasonal Variations

The Company's business has experienced and is expected to continue to experience seasonality due to, among other things, seasonal advertising patterns and seasonal influences on people's viewing, reading and listening habits. Typically, the Company's revenue from advertising increases in the fourth quarter and Simon & Schuster generates a substantial portion of its revenues in the fourth quarter. In addition, advertising revenues in even-numbered years benefit from advertising placed by candidates for political offices. The effects of such seasonality make it difficult to estimate future operating results based on the previous results of any specific quarter and may adversely affect operating results.

The Company's Businesses Operate in Highly Competitive Industries

The Company competes with other media companies for high quality content and attractive outdoor advertising space to achieve large audiences and to generate advertising revenue. The Company also competes for distribution on various cable, DTH satellite and other platforms. The Company's ability to attract viewers and advertisers and obtain favorable distribution depends in part on its ability to provide popular television, syndicated programming and radio programming and books, as well as well-placed outdoor advertising faces. In addition, the consolidation of advertising agencies, distributors and television service providers has made competition for viewers, advertising revenue, and distribution more intense. In addition, consolidation among book retailers has resulted in increased competition for limited shelf space for the Company's publications. Competition for viewers and advertising comes from: broadcast television stations and networks; cable television systems and networks; the Internet; terrestrial and satellite radio and portable digital audio players; outdoor advertisers; local, regional and national newspapers; direct mail; and other communications and advertising media that operate in these markets. Other television and radio stations or cable networks may change their formats or programming, a new station or new network may adopt a format to compete directly with the Company's stations or networks, or stations or networks might engage in aggressive promotional campaigns. This competition could result in lower ratings and advertising and subscription revenues or increased promotional and other expenses and, consequently, lower earnings and cash flow for the Company. The Company cannot assure you that it will be able to compete successfully in the future against existing or potential competitors, or that competition will not have a material adverse effect on its business, financial condition or results of operations.

The Company Must Respond to Rapid Changes in Technology, Content Creation, Services and Standards in Order to Remain Competitive

Video, telecommunications, radio and data services technologies used in the entertainment industry are changing rapidly. Advances in technologies or alternative methods of product delivery or storage, or certain changes in consumer behavior driven by these or other technologies and methods of delivery and storage, could have a negative effect on the Company's businesses. Examples of such advances in technologies include video-on-demand, satellite radio, new video and electronic book formats, user-generated content sites, Internet and mobile distribution of video content, streaming and downloading from the Internet and digital outdoor displays. For example, devices that allow users to view or listen to television or radio programs on a time-delayed basis and technologies that enable users to fast-forward or skip advertisements, such as DVRs and portable digital devices, may cause changes in consumer behavior that could affect the attractiveness of the Company's offerings to advertisers and could therefore adversely affect its revenues. Also, the growing acceptance of user-generated content sites may adversely impact the Company's businesses. In addition, further increases in the use of portable digital devices which allow users to view or listen to content of their own choosing, in their own time, while avoiding traditional commercial advertisements, could adversely affect the Company's radio and television broadcasting advertising and subscription revenues. Cable providers and DTH satellite operators are developing new techniques that allow them to transmit more channels on their existing equipment to highly targeted audiences, reducing the cost of creating channels and po