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VIACOM INC  
Form S-4  
January 30, 2001

As filed with the Securities and Exchange Commission on January 30, 2001  
Registration No. 333-

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM S-4  
REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

VIACOM INC.  
(Exact name of registrant as specified in its charter)  
Delaware  
(State or other jurisdiction of incorporation or organization)  
04-2949533  
(I.R.S. Employer Identification No.)  
1515 Broadway  
New York, NY 10036  
(212) 258-6000  
(Address, including zip code, and telephone number, including  
area code, of Registrants' principal executive offices)

VIACOM INTERNATI  
(Exact name of registrant as  
Delaware  
(State or other jurisdiction  
13-3844  
(I.R.S. Employer Iden  
1515 Broa  
New York, N  
(212) 25  
(Address, including zip code  
area code, of Registrants

Michael D. Fricklas, Esq.  
Executive Vice President,  
General Counsel and Secretary  
Viacom Inc.  
1515 Broadway  
New York, New York 10036  
(212) 258-6000

(Name, address, including zip code, and telephone number,  
including area code, of agent for service)

Copies to:  
Stephen T. Giove, Esq.  
Shearman & Sterling  
599 Lexington Avenue  
New York, New York 10022

Approximate date of commencement of proposed sale to the public: Upon  
consummation of the Exchange Offer described herein.

If the securities being registered on this Form are being offered in  
connection with the formation of a holding company and there is compliance with  
General Instruction G, check the following box.

If this Form is filed to register additional securities for an offering  
pursuant to Rule 462(b) under the Securities Act, check the following box and  
list the Securities Act registration statement number of the earlier effective  
registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d)  
under the Securities Act, check the following box and list the Securities Act  
registration statement number of the earlier effective registration statement  
for the same offering.

CALCULATION OF REGISTRATION FEE

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Title of Each Class of Securities to be Registered	Amount to be registered	Proposed Maximum Offering Price Per Security	Proposed Maximum Aggregate Offering Price(1)
6.40% Senior Notes due 2006	\$400,000,000	100%	\$400,000,000
7.70% Senior Notes due 2010	\$500,000,000	100%	\$500,000,000
7.875% Senior Debentures due 2030	\$750,000,000	100%	\$750,000,000

- (1) Estimated solely for the purposes of calculating the registration fee in accordance with Rule 457(f) under the Securities Act of 1933, as amended.
- (2) Calculated based upon the market value of the securities to be received by the registrants in the exchange in accordance with Rule 457(f).

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Subject to completion dated January 30, 2001

VIACOM INC.

OFFER TO EXCHANGE

6.40% Senior Notes due 2006  
 7.70% Senior Notes due 2010  
 7.875% Senior Debentures due 2030  
 Unconditionally guaranteed as to payment of principal  
 and interest by Viacom International Inc.  
 (a wholly owned subsidiary of Viacom Inc.)

for all outstanding unregistered

6.40% Senior Notes due 2006  
 7.70% Senior Notes due 2010  
 7.875% Senior Debentures due 2030  
 Unconditionally guaranteed as to payment of principal  
 and interest by Viacom International Inc.  
 (a wholly owned subsidiary of Viacom Inc.)

TERMS OF EXCHANGE OFFER

This prospectus and accompanying letter of transmittal relate to the proposed offer by Viacom Inc. to exchange up to \$400,000,000 aggregate principal amount of new 6.40% senior notes due 2006, which are registered under the

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Securities Act of 1933, for any and all of its unregistered 6.40% senior notes due 2006 issued on January 17, 2001, \$500,000,000 aggregate principal amount of new 7.70% senior notes due 2010, which are registered under the Securities Act of 1933, for any and all of its unregistered 7.70% senior notes due 2010 issued on January 17, 2001 and \$750,000,000 aggregate principal amount of new 7.875% senior debentures due 2030, which are registered under the Securities Act of 1933, for any and all of its unregistered 7.875% senior debentures due 2030 issued on January 17, 2001. The senior securities are unconditionally guaranteed as to payment of principal and interest by Viacom International Inc., a wholly owned subsidiary of Viacom. The unregistered senior notes due 2010 will, upon their exchange for new senior notes due 2010 registered under the Securities Act of 1933, be a further issuance of our 7.70% Senior Notes due 2010, \$1,150,000,000 of which were issued on August 1, 2000. The unregistered senior debentures due 2030 will, upon their exchange for senior debentures due 2030 registered under the Securities Act of 1933, be a further issuance of our 7.875% Senior Debentures due 2030, \$500,000,000 of which were issued on August 1, 2000. The unregistered senior securities have certain transfer restrictions. The exchange senior securities will be freely transferable.

- o The exchange offer expires at 5:00 p.m., New York City time, on February , 2001, unless extended.
- o The exchange offer is not subject to any conditions other than that:
  - o the exchange offer, or the making of any exchange by a senior security holder, does not violate applicable law or any applicable interpretation of the staff of the Securities and Exchange Commission (the "SEC"),
  - o no action or proceeding shall have been instituted or threatened with respect to the exchange offer which, in our judgment or the judgment of the guarantor, would impair our ability to proceed with the exchange offer, and
  - o no law, rule or regulation or applicable interpretations of the staff of the SEC has been issued or promulgated which, in our good faith determination or the good faith determination of the guarantor, does not permit us to effect the exchange offer.
- o All outstanding unregistered senior securities that are validly tendered and not validly withdrawn will be exchanged.
- o Tenders of outstanding unregistered senior securities may be withdrawn at any time before 5:00 p.m. on the date of expiration of the exchange offer.
- o The exchange of senior securities will not be a taxable exchange for U.S. federal income tax purposes.
- o We will not receive any proceeds from the exchange offer.
- o Application has been made to list the exchange senior securities on the Luxembourg Stock Exchange.
- o The terms of the exchange senior securities to be issued are substantially similar to the unregistered senior securities, except for being registered under the Securities Act, not having any transfer restrictions and not having registration rights or rights to additional interest.

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Each holder of an unregistered senior security wishing to accept the exchange offer must deliver the unregistered senior securities to be exchanged, together with the letter of transmittal that accompanies this prospectus and any other required documentation, to the exchange agent identified in this prospectus. Alternatively, you may effect a tender of unregistered senior securities by book-entry transfer into the exchange agent's account at Morgan Guaranty Trust Company of New York, Brussels Office, as operator of the Euroclear System ("Euroclear"), Clearstream Banking, societe anoyne, Luxembourg ("Clearstream Luxembourg") or the Depositary Trust Company ("DTC"). All deliveries are at the risk of the holder. You can find detailed instructions concerning delivery in the section called "The Exchange Offer" in this prospectus and in the accompanying letter of transmittal.

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If you are a broker-dealer that receives exchange senior securities for your own account you must acknowledge that you will deliver a prospectus in connection with any resale of the exchange senior securities. The letter of transmittal accompanying this prospectus states that by so acknowledging and by delivering a prospectus, you will not be deemed to admit that you are an "underwriter" within the meaning of the Securities Act. You may use this prospectus, as we may amend or supplement it in the future, for your resales of exchange senior securities. We will make this prospectus available to any broker-dealer for use in connection with any such resale for a period of 180 days after the date of expiration of this exchange offer.

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Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the senior securities to be distributed in the exchange offer, nor have any of these organizations determined that this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is , 2001.

You should rely only on the information contained or incorporated by reference in this prospectus. We have not authorized any other person to provide you with different or additional information. If anyone provides you with different or additional information, you should not rely on it. You should assume that the information contained or incorporated by reference in this prospectus is accurate as of the date on the front cover of this prospectus or the date of the document incorporated by reference. Our business, financial condition, results of operations and prospects may have changed since then. We are not making an offer to sell the senior securities in any jurisdiction where the offer or sale is not permitted.

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References to "Viacom," "we," "us" and "our" in this prospectus are references to Viacom Inc. References to "Viacom International" are references to Viacom International Inc. Whenever we refer in this prospectus to the senior notes due 2006 issued on January 17, 2001, the senior notes due 2010 issued on January 17, 2001, or the senior debentures due 2030 issued on January 17, 2001, we will refer to them as the "unregistered 2006 senior notes", the "unregistered 2010 senior notes", or the "unregistered senior debentures", respectively. Whenever we refer collectively in this prospectus to the unregistered 2006 senior notes, the unregistered 2010 senior notes and the unregistered senior debentures, we will refer to them as the "unregistered senior securities". Whenever we refer in this prospectus to the new senior notes due 2006, the new senior notes due 2010 or the new senior debentures due 2030, we will refer to them as the "exchange 2006 senior notes", the "exchange 2010 senior notes" or the "exchange senior debentures", respectively. Whenever we refer collectively in this prospectus to the exchange 2006 senior securities, the exchange 2010 senior securities and the exchange senior debentures, we will refer to them as the "exchange senior securities". The unregistered 2006 senior notes and the exchange 2006 senior notes are collectively referred to as the "2006 senior notes"; the unregistered 2010 senior notes and the exchange 2010 senior notes are collectively referred to as the "2010 senior notes"; the unregistered senior debentures and the exchange senior debentures are collectively referred to as the "senior debentures"; and the unregistered senior securities and the exchange senior securities are collectively referred to as the "senior securities". References to "\$" and "dollars" are to United States dollars.

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### CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

This prospectus and the documents incorporated by reference into this prospectus 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 and section 21E of the Securities Exchange Act of 1934. These forward-looking statements are not based on historical facts, but rather reflect our current expectations concerning future results and events. These forward-looking statements generally can be identified by use of statements that include phrases such as "believe," "expect," "anticipate," "intend," "plan," "foresee," "likely," "will" or other similar words or phrases. Similarly, statements that describe our objectives, plans or goals are or may be forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be different from any future results,

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performance and achievements expressed or implied by these statements. You should review carefully all information, including the financial statements and the notes to the financial statements, included or incorporated by reference into this prospectus.

In addition to the risk factors described below under "Risk Factors," the following important factors could affect future results, causing these results to differ materially from those expressed in our forward-looking statements:

- o the timing, impact and other uncertainties related to pending and future acquisitions and dispositions by Viacom;
- o the ability of Viacom to renew existing programming, licensing and distribution agreements and to enter into new agreements;
- o the impact of new technologies, including the magnitude of equity losses and other uncertainties related to Viacom's Internet-based investments;
- o changes in tax requirements, including tax rate changes, new tax laws and revised tax law interpretations; and
- o interest rate fluctuations and other capital market conditions.

These factors and the other risk factors described in this prospectus or incorporated by reference are not necessarily all of the important factors that could cause actual results to differ materially from those expressed in any of our forward-looking statements. Other unknown or unpredictable factors also could have material adverse effects on our future results. The forward-looking statements included in this prospectus are made only as of the date of this prospectus and under section 27A of the Securities Act and section 21E of the Exchange Act and we do not have any obligation to publicly update any forward-looking statements to reflect subsequent events or circumstances. We cannot assure you that projected results or events will be achieved.

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### WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and current reports, proxy statements and other information with the SEC. You may read and copy any document we file at the SEC's public reference rooms at 450 Fifth Street, N.W., Washington, D.C. 20549; 7 World Trade Center, Suite 1300, New York, New York 10048; and 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. Please call the SEC at 1-800-SEC-0330 for further information on the public reference rooms. Our SEC filings are also available to the public from the SEC's web site at <http://www.sec.gov>. Our Class A common stock and Class B common stock are listed on the New York Stock Exchange. Information about us also is available at the New York Stock Exchange. In accordance with U.S. securities laws, the SEC has granted Viacom International relief from its obligations to file annual, quarterly and current reports, proxy statements and other information with the SEC. Accordingly, Viacom International does not file separate financial statements with the SEC and does not independently publish its financial statements. Viacom International's financial condition, results of operations and cash flows are consolidated into the financial statements of Viacom.

We are "incorporating by reference" specified documents that we file with the SEC, which means that we can disclose important information to you by referring you to those documents that are considered part of this prospectus.

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Later information that we file with the SEC will automatically update and supersede this information. We incorporate by reference the documents listed below and any future filings made with the SEC under Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 by us until the exchange offer is completed.

- o Our Registration Statement on Form S-4, dated November 24, 1999.
- o Our Annual Report on Form 10-K for the year ended December 31, 1999, as amended on April 28, 2000.
- o Our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2000, June 30, 2000 and September 30, 2000.
- o Our Current Report on Form 8-K dated May 4, 2000, as amended on July 17, 2000, and our Current Reports on Form 8-K dated August 3, 2000, August 15, 2000, October 31, 2000, November 3, 2000, January 5, 2001 and January 8, 2001.
- o Our definitive Proxy Statement dated June 5, 2000.
- o CBS Annual Report on Form 10-K for the year ended December 31, 1999, as amended on April 28, 2000.
- o The financial statements of Infinity Broadcasting Corporation, as set forth in Item 8 to Infinity's Annual Report on Form 10-K for the year ended December 31, 1999.
- o The financial statements of Infinity Broadcasting Corporation, as set forth in Item 1 to Infinity's Quarterly Report on Form 10-Q for the quarter ended September 30, 2000.
- o Our Registration Statement on Form S-4, dated November 22, 2000, as amended by Form S-4/A dated December 7, 2000, by Form S-4/A dated January 9, 2001 and by Form S-4/A dated January 12, 2001.

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You may obtain a copy of these filings at no cost, by writing or telephoning us at the following address:

Viacom Inc.  
1515 Broadway  
52nd Floor  
New York, New York 10036  
Attn: Investor Relations  
Phone Number: (212) 258-6000

In addition, copies of all documents that we incorporated into this prospectus by reference may be obtained free of charge at the offices of Kredietbank S.A. Luxembourgeoise, 43, Boulevard Royal, L-2955 Luxembourg, our Luxembourg paying and transfer agent.

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PROSPECTUS SUMMARY

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The following summary highlights selected information from this prospectus and does not contain all of the information that you should consider before participating in this exchange offer. You should read the entire prospectus, accompanying letter of transmittal and documents incorporated by reference carefully.

### THE COMPANY

We are a diversified entertainment company with operations in seven segments: Cable Networks, Television, Entertainment, Video, Publishing, Online and Infinity. The Cable Networks segment operates MTV: MUSIC TELEVISION(R), SHOWTIME(R), NICKELODEON(R)/NICK AT NITE(R), VH1 MUSIC FIRST(R), TV LAND(R), TNN: THE NATIONAL NETWORK (formerly, The Nashville Network) and COUNTRY MUSIC TELEVISION, among other program services. The Television segment consists of CBS(R) and UPN(R) television networks, our 39 broadcast television stations, and production and distribution of television programming through PARAMOUNT TELEVISION(R), VIACOM(R) PRODUCTIONS, SPELLING TELEVISION(R), BIG TICKET TELEVISION(R) and CBS(R) ENTERPRISES (including KING WORLD(R) PRODUCTIONS). The Entertainment segment produces and distributes theatrical motion pictures through PARAMOUNT PICTURES(R), operates movie theater and music publishing operations and, through PARAMOUNT PARKS(R), owns and operates five theme parks and a themed attraction in the United States and Canada. The Video segment consists of an approximately 82% equity interest in BLOCKBUSTER(R) INC., which operates and franchises video stores worldwide, primarily under the BLOCKBUSTER(R) brand. The remainder of Blockbuster's common stock was sold to the public in August 1999. The Publishing segment publishes and distributes consumer books and related multimedia products, under such imprints as SIMON & SCHUSTER(R), POCKET BOOKS(R), SCRIBNER(R) and THE FREE PRESS. The Online segment provides online music and children's destinations featuring entertainment, information, community tools and e-commerce, through SonicNet.com and Internet sites currently related to MTV: MUSIC TELEVISION(R), NICKELODEON/NICK AT NITE(R), VH1 MUSIC FIRST(R) and COUNTRY MUSIC TELEVISION. The Online segment also includes other Internet businesses, which consist primarily of the operation of the Internet site CBS.com, and the investment in iWon.com. We also have investments in other Internet based companies such as MarketWatch.com, Inc., SportsLine.com, Inc. and Hollywood.com, Inc. The Infinity segment consists of an approximately 64.2% equity interest in Infinity Broadcasting Corporation which operates radio stations and outdoor advertising properties, including INFINITY BROADCASTING(R), INFINITY OUTDOOR and TDI(R). As described in more detail under "Recent Developments" below, we and Infinity have entered into a merger agreement under which we will acquire the approximately 35.8% equity interest in Infinity that we do not currently own. On January 23, 2001, we acquired the Black Entertainment Television cable network pursuant to an agreement with BET Holding II, Inc. We were incorporated in 1986 under the laws of the State of Delaware. Our principal offices are located at 1515 Broadway, New York, New York 10036 and our telephone number is (212) 258-6000.

### THE GUARANTOR

Viacom International, the guarantor of the senior securities, was incorporated under the laws of the State of Delaware on May 19, 1995 and has its corporate headquarters at 1515 Broadway, New York, New York 10036. Viacom International has 100 shares of common stock outstanding, all of which are held by Viacom. The operating assets of Viacom International and its subsidiaries include MTV: MUSIC TELEVISION(R), SHOWTIME(R), NICKELODEON(R)/NICK AT NITE, VH1 MUSIC FIRST(R), TV LAND(R), approximately 18 broadcast television stations, BLOCKBUSTER INC., publishing imprints



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such as SIMON & SCHUSTER(R) and THE FREE PRESS, the businesses of Paramount and certain related Internet sites. In accordance with U.S. securities laws, the SEC has granted Viacom International relief from its obligations to file annual, quarterly and current reports, proxy statements and other information with the SEC. Accordingly, Viacom International does not file separate financial statements with the SEC and does not independently publish its financial statements. Viacom International's financial condition, results of operations and cash flows are consolidated into the financial statements of Viacom.

### CERTAIN SUBSIDIARIES

Viacom has two subsidiaries which are subject to the reporting requirements of the Exchange Act. These subsidiaries are Blockbuster Inc. and Infinity Broadcasting Corporation.

Blockbuster, incorporated under the laws of the State of Delaware in 1989, has its corporate headquarters at 1201 Elm Street, Dallas, Texas 75270. As of December 31, 2000, Blockbuster had 31,011,114 shares of Class A common stock and 144,000,000 shares of Class B common stock outstanding. Blockbuster is a retailer of rentable home videocassettes, DVDs and video games, and has stores throughout the United States and in many other countries. Blockbuster operates primarily under the Blockbuster brand name. Blockbuster's financial condition, results of operations and cash flows are consolidated into the financial statements of Viacom. We own an approximately 82% equity interest in Blockbuster.

Infinity, incorporated under the laws of the State of Delaware in 1998, has its corporate headquarters at 40 West 57th Street, New York, New York 10019. As of December 31, 2000, Infinity had 390,913,206 shares of Class A common stock and 700,000,000 shares of Class B common stock outstanding. Infinity operates radio stations and outdoor advertising properties. Infinity's financial condition, results of operations and cash flows are consolidated into the financial statements of Viacom. We own an approximately 64.2% equity interest in Infinity and have entered into an agreement to acquire the approximately 35.8% equity interest that we do not currently own. See "Recent Developments."

### RECENT DEVELOPMENTS

On May 4, 2000, CBS Corporation merged with and into Viacom. The total purchase price of approximately \$39.8 billion represents the issuance of approximately 825.5 million shares of Viacom non-voting Class B common stock and 11,004 shares of Viacom Series C convertible preferred stock (which were subsequently converted into shares of Viacom non-voting Class B common stock), the estimated fair value of CBS stock options which were assumed by Viacom, and estimated transaction costs. The merger was accounted for by the purchase method of accounting and the purchase price was allocated to the tangible and identifiable intangible assets acquired and liabilities assumed, according to their respective fair values, with the excess purchase price being allocated to goodwill. In addition, Viacom assumed approximately \$3.7 billion of CBS debt.

On October 30, 2000, Viacom and Infinity entered into a merger agreement under which Viacom will acquire all of the approximately 35.8% of the issued and outstanding shares of Infinity common stock that it does not currently own. Pursuant to the merger agreement, Viacom will exchange 0.592 of a share of Viacom non-voting Class B common stock for each share of Infinity Class A common stock. Viacom's Board of Directors and Infinity's Board of Directors approved the merger agreement after approval by a special committee of Infinity's independent directors. The special committee was advised by separate legal and financial advisors. In light of a recent Delaware Chancery Court decision unrelated to Viacom or Infinity which created uncertainty regarding the vote required to approve the merger, Viacom and Infinity have decided to seek the approval of Infinity's minority stockholders. A special

meeting of Infinity's stockholders will be held on February 21, 2001 to consider the merger. Viacom expects the merger to be completed immediately following the stockholders' meeting. As of December 31, 2000, there were approximately 390.9 million shares of Infinity Class A common stock outstanding held by shareholders other than Viacom.

On January 23, 2001, Viacom acquired Black Entertainment Television for approximately \$2.3 billion of Viacom non-voting Class B common stock plus the assumption of approximately \$575 million of debt. The final exchange ratio was based on the trading prices of Viacom non-voting Class B common stock during a measurement period immediately before the closing of the transaction.

Summary of the Terms of the Exchange Offer

On January 17, 2001, we issued \$400 million aggregate principal amount of unregistered 6.40% senior notes due 2006, \$500 million aggregate principal amount of unregistered 7.70% senior notes due 2010 and \$750 million aggregate principal amount of unregistered 7.875% senior debentures due 2030. The unregistered senior securities are unconditionally guaranteed as to payment of principal and interest by Viacom International. On the same day, we and the initial purchasers of the unregistered senior securities entered into a registration rights agreement in which we agreed that you, as a holder of unregistered senior securities, would be entitled to exchange your unregistered senior securities for exchange senior securities registered under the Securities Act but otherwise having substantially identical terms to the unregistered senior securities. This exchange offer is intended to satisfy these rights. After the exchange offer is completed, you will no longer be entitled to any exchange or registration rights with respect to your senior securities. All of the exchange senior securities will be our obligations and will be entitled to the benefits of the indenture and supplemental indentures relating to the unregistered senior securities. The exchange senior securities will also be unconditionally guaranteed as to payment of principal and interest by Viacom International. The form and terms of the exchange senior securities are identical in all material respects to the form and terms of unregistered senior securities, except:

- o the exchange senior securities have been registered under the Securities Act, and therefore, the exchange senior securities will contain no restrictive legends;
- o the exchange senior securities will not have registration rights; and
- o the exchange senior securities will not have rights to additional interest.

The Exchange Offer..... We are offering to exchange \$1,000 principal amount of:

- o 6.40% senior notes due 2006 which have been registered under the Securities Act of 1933 for each \$1,000 principal amount of our unregistered 2006 senior notes. As of the

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date of the prospectus, \$400 million in aggregate principal amount of unregistered 2006 senior notes are outstanding,

- o 7.70% senior notes due 2010 which have been registered under the Securities Act of 1933 for each \$1,000 principal amount of our unregistered 2010 senior notes. As of the date of this prospectus, \$500 million in aggregate principal amount of unregistered 2010 senior notes are outstanding, and
- o 7.875% senior debentures due 2030 which have been registered under the Securities Act of 1933 for each \$1,000 principal amount of our unregistered 2030 senior debentures. As of the date of this prospectus, \$750 million in aggregate principal amount of unregistered 2030 senior debentures are outstanding.

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Expiration of Exchange Offer.. The exchange offer will expire at 5:00 p.m., New York City time, on February , 2001, unless we decide to extend the expiration date.

### Resale of the Exchange

Senior Securities..... Based on interpretative letters of the SEC staff to third parties unrelated to us, we believe that you can resell and transfer the exchange senior securities you receive pursuant to this exchange offer, without compliance with the registration and prospectus delivery provisions of the Securities Act, provided that:

- o any exchange senior securities to be received by you will be acquired in the ordinary course of your business;
- o you are not engaged in, do not intend to engage in or have any arrangement or understanding with any person to participate in the distribution of the unregistered senior securities or exchange senior securities;
- o you are not an "affiliate" (as defined in Rule 405 under the Securities Act) of Viacom or Viacom International or, if you are such an affiliate, you will comply with the registration and prospectus delivery requirements of the Securities Act to the extent applicable;
- o if you are a broker-dealer, you are not engaged in, and do not intend to engage in, the distribution of exchange senior securities;
- o if you are a broker-dealer, you will receive exchange senior securities for your own

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account in exchange for unregistered senior securities that were acquired as a result of market-making activities or other trading activities and that you will deliver a prospectus in connection with any resale of such exchange senior securities; and

- o you are not acting on behalf of any person who could not truthfully make the foregoing representations.

If you wish to accept the exchange offer, you must represent to us that these conditions have been met.

If our belief is inaccurate and you transfer any exchange senior security without delivering a prospectus meeting the requirements of the Securities Act or without an exemption from registration under the Securities Act, you may incur

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liability under the Securities Act. We do not assume or indemnify you against such liability, but we do not believe that any such liability should exist.

Accrued Interest on the Exchange Senior Securities and Unregistered Senior Securities.....

The exchange senior securities will accrue interest from the date interest was last paid on the unregistered senior securities. If no interest was paid on your unregistered senior securities, your exchange senior securities will accrue interest from and including January 17, 2001. Interest will be paid on the exchange senior securities semi-annually on January 30 and July 30 of each year, except that there will be no January 30, 2001 interest payment date for any exchange 2006 senior notes. Holders of unregistered senior securities that are accepted for exchange will be deemed to have waived the right to receive any payment in respect of interest accrued from the date of the last interest payment date that was made in respect of the unregistered senior securities until the date of the issuance of the exchange senior securities. Consequently, holders who exchange their unregistered senior securities will receive the same interest payments that they would have received had they not accepted the exchange offer.

Termination of the Exchange Offer.....

We may terminate the exchange offer if we determine that our ability to proceed with the exchange offer could be materially impaired due to any legal or governmental action, new law,

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statute, rule or regulation or any interpretation of the staff of the SEC of any existing law, statute, rule or regulation. We do not expect any of the foregoing conditions to occur, although we cannot assure you that such conditions will not occur. You will have certain rights against our company under the registration rights agreement should we fail to consummate the exchange offer.

### Procedures for Tendering Unregistered Senior

Securities.....

If you wish to participate in the exchange offer, you must transmit a properly completed and signed letter of transmittal, and all other documents required by the letter of transmittal, to the exchange agent at the address set forth in the letter of transmittal. These materials must be received by the exchange agent before 5:00 p.m., New York City time, on February , 2001, the expiration date of the exchange offer. You must also provide:

- o a confirmation of any book-entry transfer of unregistered senior securities tendered electronically into the exchange agent's account with DTC, Euroclear or Clearstream. You must comply with DTC, Euroclear or Clearstream's respective standard operating procedures for electronic

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tenders, by which you will agree to be bound in the letter of transmittal; or

- o physical delivery of your unregistered senior securities to the exchange agent's address as set forth in the letter of transmittal.

The letter of transmittal must also contain the representations you must make to us as described under "The Exchange Offer--Procedures for Tendering."

### Special Procedures for

Beneficial Owners.....

If your unregistered senior securities are held through a broker, dealer, commercial bank, trust company or other nominee and you wish to tender such senior notes, you should contact such entity promptly and instruct it to tender your unregistered senior securities on your behalf.

### Guaranteed Delivery Procedures for Unregistered Senior Securities.....

If you cannot meet the expiration deadline, or you cannot deliver your unregistered senior securities, the letter of transmittal or any other documentation or comply with the applicable procedures under DTC, Euroclear or

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Clearstream standard operating procedures for electronic tenders on time, you may tender your unregistered senior securities according to the guaranteed delivery procedures set forth under "The Exchange Offer - Guaranteed Delivery Procedures."

Withdrawal Rights..... You may withdraw the tender of your unregistered senior securities at any time prior to 5:00 p.m., New York City time, on February , 2001, the expiration date.

Consequences of Failure to Exchange..... If you are eligible to participate in this exchange offer and you do not tender your unregistered senior securities as described in this prospectus, you will not have any further registration rights or exchange rights. In that case, your unregistered senior securities will continue to be subject to restrictions on transfer. As a result of such restrictions and the availability of exchange senior securities, the unregistered senior securities are likely to be much less liquid securities than before. The unregistered senior securities will, following consummation of the exchange offer, bear interest at the same rate as the exchange senior securities.

Certain U.S. Federal Income Tax Consequences..... The exchange of the unregistered senior securities for exchange senior securities pursuant to the exchange offer will not be a taxable exchange for United States federal income tax purposes. We believe that you will not recognize any taxable

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gain or loss solely as a result of the exchange.

Use of Proceeds..... We will not receive any proceeds from the issuance of exchange senior securities pursuant to the exchange offer.

Exchange Agents for Unregistered Senior Securities..... Citibank, N.A., the trustee under the indenture for the unregistered senior securities, is serving as the principal exchange agent in connection with the exchange offer. Citibank can be reached at 111 Wall Street, 5th Floor, New York, New York 10005; its telephone number is (800) 422-2066 and its facsimile number is (212) 825-3483. Kredietbank S.A. Luxembourgaise, our Luxembourg listing, paying and transfer agent, will also act as Luxembourg exchange agent. In its capacity as Luxembourg exchange agent, Kredietbank will act solely as an intermediary between holders of unregistered senior securities wishing to accept the exchange offer

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and the principal exchange agent. Kredietbank will forward the tenders it receives to the principal exchange agent. Kredietbank can be reached at 43, Boulevard Royal, L-2955 Luxembourg; its telephone number is (352) 47 97 3933 and its facsimile number is (352) 47 97 73 951.

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### DESCRIPTION OF THE EXCHANGE SENIOR SECURITIES

The following summarized provisions are subject to a number of important exceptions and qualifications, which are described under the heading "Description of the Senior Securities" in this prospectus.

Exchange Senior Securities.....	\$400,000,000 principal amount of 6.40% senior notes due 2006. \$500,000,000 principal amount of 7.70% senior notes due 2010. \$750,000,000 principal amount of 7.875% senior debentures due 2030.
Maturity Dates.....	January 30, 2006 for the exchange 2006 senior notes. July 30, 2010 for the exchange 2010 senior notes. July 30, 2030 for the exchange senior debentures.
Interest Payment Dates....	January 30 and July 30 of each year, beginning on the interest payment date immediately following the last interest payment date for which interest was paid on unregistered senior securities which were exchanged pursuant to the exchange offer, except that there will be no January 30, 2001 interest payment date for any exchange 2006 notes.
Optional Redemption.....	The exchange 2010 senior notes and the exchange senior debentures are redeemable at our option, in whole or in part, at any time. The redemption price is the principal amount of the exchange senior securities redeemed, plus accrued and unpaid interest, plus a make-whole premium based on a discount rate of 25 basis points, in the case of the exchange 2010 senior notes, and 35 basis points, in the case of the exchange senior debentures, over an appropriate treasury rate.
Covenants.....	The indenture governing the exchange senior securities contains covenants that, among other things, limit our ability to: <ul style="list-style-type: none"><li>o create certain liens;</li><li>o enter into certain sale and leaseback transactions; and</li><li>o consolidate, merge or sell all or substantially</li></ul>

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all of our assets.

Events of Default..... The indenture provides for events of default, subject to applicable cure periods, including:

- o we do not pay interest on a senior security within 30 days of its due date;
- o we do not pay the principal of or any premium on a senior security on its due date;
- o we remain in breach of a covenant or warranty in respect of the indenture for 60 days after we receive a written notice of default. The notice must be sent by either the trustee or holders of at least

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25% in principal amount of a series of outstanding senior securities;

- o we are in default under agreements under which we have indebtedness outstanding in excess of \$250 million in the aggregate and which indebtedness is due either at maturity or has been declared due prior to maturity and remains unpaid;
- o we fail to pay a money judgment in excess of \$250 million for a period of 60 days after it becomes final and not subject to further appeal; or
- o we or Viacom International file for bankruptcy, or other specified events of bankruptcy, insolvency or reorganization occur.

Trustee..... Citibank, N.A.

Listing..... Application has been made to list the exchange senior securities on the Luxembourg Stock Exchange.

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### SELECTED FINANCIAL DATA FOR VIACOM

The selected financial data presented below have been derived from, and should be read together with, our audited consolidated financial statements and the accompanying notes included in our annual report on Form 10-K for the year ended December 31, 1999 and the unaudited interim consolidated financial statements and the accompanying notes included in our quarterly report on Form 10-Q for the quarter ended September 30, 2000, both of which are incorporated by reference into this prospectus.

Nine Months



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	Ended September 30, (Unaudited)			Year Ended December	
	2000 (a)	1999	1999	1998	1997
	-----	----	----	----	----
	(in millions, except per share amounts)				
Statement of Operations Data:					
Revenues .....	\$13,900	\$9,286	\$12,859	\$12,096	\$10,685
Depreciation.....	528	367	497	442	447
Amortization of intangibles .....	932	249	348	336	325
Operating income.....	722	881	1,247	752	685
Earnings (loss) from continuing operations .....	(394)	239	372	(44)	374
Net earnings (loss) .....	(847)	201	334	(122)	794
Net earnings (loss) attributable to common stock .....	(847)	189	322	(150)	734
Earnings (loss) per common share:					
Basic:					
Earnings (loss) from continuing operations .....	\$ (.35)	\$ .33	\$ .52	\$ (.10)	\$ .44
Net earnings (loss).....	\$ (.75)	\$ .27	\$ .46	\$ (.21)	\$ 1.04
Diluted:					
Earnings (loss) from continuing operations .....	\$ (.35)	\$ .32	\$ .51	\$ (.10)	\$ .44
Net earnings (loss) .....	\$ (.75)	\$ .27	\$ .45	\$ (.21)	\$ 1.04
Weighted average shares outstanding:					
Basic.....	1,134	695	695	709	706
Diluted.....	1,134	709	710	709	709
Other Data:					
EBITDA (b).....	\$ 2,182	\$1,497	\$ 2,092	\$ 1,530	\$ 1,457

	At September 30, 2000 (a) (Unaudited)		At December 31,		
	-----	----	1998	1997	1996
	-----	----	----	----	----
	(in millions)				
Balance Sheet Data:					
Cash and cash equivalents.....	\$ 993	\$ 681	\$ 767	\$ 292	\$ 1,000
Intangibles, net.....	61,643	11,479	11,557	14,700	14,700
Total assets.....	82,423	24,486	23,613	28,289	28,289
Long-term debt, net of current portion .....	12,639	5,698	3,813	7,423	9,000
Stockholders' equity .....	48,195	11,132	12,050	13,384	12,000

- (a) Includes financial information for CBS Corporation from May 4, 2000, the date of its merger with and into Viacom. Accordingly, operating results and financial position are not necessarily comparable on a year-to-year basis.
- (b) We define EBITDA as operating income before depreciation and amortization, principally of goodwill related to business combinations. While many in the financial community consider EBITDA to be an important measure of comparative operating performance, you should consider it in addition to, but not as a substitute for or superior to, operating income, net earnings, cash flow and other measures of financial performance prepared in accordance with generally accepted accounting principles.

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SELECTED FINANCIAL DATA FOR CBS

The merger of CBS Corporation with and into Viacom was completed on May 4, 2000. Accordingly, relevant financial information for CBS is not reflected in our historical financial statements for the periods set forth below. The selected financial data presented below have been derived from, and should be read together with, the audited consolidated financial statements of CBS and the accompanying notes included in CBS' Annual Report on Form 10-K for the year ended December 31, 1999 and the unaudited interim consolidated financial statements and the accompanying notes for the quarter ended March 31, 2000 included in our Current Report on Form 8-K dated May 4, 2000, as amended on July 17, 2000, each of which is incorporated by reference into this prospectus.

	Three Months Ended March 31, (Unaudited)		Year Ended December		
	2000	1999(a)	1999(a)	1998(a)	1997(a)
	(in millions, except per share amounts)				
Statement of Operations Data:					
Revenues .....	\$2,406	\$1,769	\$7,373	\$6,805	\$5,367
Depreciation.....	69	33	148	137	120
Amortization of intangibles .....	228	116	521	434	325
Operating income.....	222	123	956	482	253
Net earnings (loss) .....	(38)	387	780	(21)	549
Net earnings (loss) per common share:					
Basic:.....	\$ (.05)	\$ .56	\$ 1.10	\$ (.03)	\$ .84
Diluted:.....	\$ (.05)	\$ .55	\$ 1.08	\$ (.03)	\$ .84
Weighted average shares outstanding:					
Basic.....	752	693	702	696	629
Diluted.....	752	708	721	696	629
Other Data:					
EBITDA (unaudited) (b).....	\$ 519	\$ 272	\$ 1,625	\$ 1,053	\$ 698

	At March 31, 2001	At December 31,			
	(Unaudited)	1999(a)	1998(a)	1997(a)	1996(a)
	(in millions)				
Balance Sheet Data:					
Cash and cash equivalents (c).....	\$ 381	\$ 249	\$ 825	\$ 67	\$ 21
Total assets(c).....	33,093	33,738	22,058	20,604	21,000
Intangibles, net.....	24,548	24,917	15,463	12,727	11,000
Long-term debt, net of current portion (c) .....	4,072	4,158	2,888	3,676	5,000
Stockholders' equity .....	15,790	16,147	9,054	8,080	5,000

(a) Includes financial information for the following acquired entities from

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their respective dates of acquisition: the outdoor advertising operations of Outdoor Systems, Inc. as of December 7, 1999; King World Productions, Inc. on November 15, 1999; the radio operations of American Radio on June 4, 1998; The Nashville Network and the remaining interest of Country Music Television on September 30, 1997; Infinity Media Corporation on December 31, 1996; and CBS Inc. on November 24, 1995. Accordingly, operating results are not necessarily comparable on a year-to-year basis.

- (b) We define EBITDA as operating income before depreciation and amortization, principally of goodwill related to business combinations. While many in the financial community consider EBITDA to be an important measure of comparative operating performance, you should consider it in addition to, but not as a substitute for or superior to, operating income, net earnings, cash flow and other measures of financial performance prepared in accordance with generally accepted accounting principles.
- (c) Financial information for all periods presented includes amounts for both continuing and discontinued operations.

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### SUMMARY UNAUDITED PRO FORMA COMBINED FINANCIAL INFORMATION

The following summary unaudited pro forma combined financial information is based upon the historical financial statements of Viacom, adjusted for the Viacom/CBS merger, certain other transactions and the contemplated Viacom/Infinity merger. The unaudited pro forma combined condensed statement of operations data for the nine months ended September 30, 2000 and the year ended December 31, 1999 is presented as if the Viacom/CBS merger, certain other transactions and the contemplated Viacom/Infinity merger had occurred on January 1, 1999. The unaudited pro forma combined balance sheet data at September 30, 2000 is presented as if the Viacom/Infinity merger had occurred on September 30, 2000.

The summary unaudited pro forma combined condensed financial data is for illustrative purposes only and does not necessarily indicate the operating results or financial position that would have been achieved had the Viacom/CBS merger, certain other transactions and the contemplated Viacom/Infinity merger been completed as of the dates indicated or of the results that may be obtained in the future. In addition, the data does not reflect synergies that might be achieved from combining these operations.

#### Unaudited Pro Forma Combined Statement of Operations Data

	Viacom/CBS Merger		Viacom/CBS Viacom/In
	Nine Months Ended September 30, 2000	Year Ended December 31, 1999	Nine Months Ended September 30, 2000
	(in millions, except per share am		
Statement of Operations Data:			
Revenues .....	\$17,354	\$22,157	\$17,354
Operating income.....	863	1,513	707
Earnings (loss) from continuing operations before income taxes ...	140	670	(16)
Loss from continuing operations.....	(643)	(284)	(702)
Loss from continuing operations attributable to common stock .....	(643)	(297)	(702)
Basic and diluted loss from continuing operations per share....	\$ (.43)	\$ (.20)	\$ (.40)
Basic and diluted weighted average			

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shares outstanding.....	1,508	1,506	1,739
Other Data:			
EBITDA (a) .....	\$ 2,954	\$ 4,209	\$ 2,943

Unaudited Pro Forma Combined Balance Sheet Data  
(in millions)

Viacom/Infinity Merger

	At September 30, 2000
	----
Cash and cash equivalents.....	\$ 993
Total assets .....	90,181
Long-term debt, net of current portion .....	12,639
Stockholders' equity.....	61,605

(a) We define EBITDA as operating income before depreciation and amortization, principally of goodwill related to business combinations. While many in the financial community consider EBITDA to be an important measure of comparative operating performance, you should consider it in addition to, but not as a substitute for or superior to, operating income, net earnings, cash flow and other measures of financial performance prepared in accordance with generally accepted accounting principles.

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RATIO OF EARNINGS TO FIXED CHARGES  
(Unaudited)

The ratio of earnings to fixed charges for Viacom are set forth below, on a pro forma basis, for the nine months ended September 30, 2000 and the year ended December 31, 1999 to give effect to the Viacom/CBS merger, certain other transactions and the contemplated Viacom/Infinity merger, as if the mergers each occurred on January 1, 1999, and on a historical basis for the nine months ended September 30, 2000 and for each year in the five-year period ended December 31, 1999.

For purposes of computing the following ratios, earnings represents income from continuing operations before fixed charges and taxes. Fixed charges represent interest expense, amortization of capitalized interest and such portion of rental expense which represents an appropriate interest factor.

	Nine Months Ended September 30, 2000			Year End 1999	
	Viacom Historical	Pro Forma for Viacom/CBS Merger	Pro Forma for Viacom/CBS Merger and Viacom/Infinity Merger	Pro Forma for Viacom/CBS Merger	Pro Forma for Viacom/CBS Merger and Viacom/Infinity Merger
	-----	-----	-----	-----	-----
Ratio of Earnings to Fixed Charges....	1.3x	1.2x	1.0x	1.5x	1.4x

RISK FACTORS

An investment in the exchange senior securities is subject to numerous risks, including, but not limited to those set forth below. In addition to the information contained elsewhere in this prospectus, you should carefully consider the following risk factors before deciding to exchange your unregistered senior securities for exchange senior securities.

Fraudulent Conveyance Considerations

Our obligations under the exchange senior securities will be guaranteed to the extent described in this prospectus by Viacom International. See "Description of Senior Securities--Guarantees." Various federal and state fraudulent conveyance laws have been enacted for the protection of creditors and may be utilized by a court of competent jurisdiction to subordinate or avoid all or part of any guarantee issued by Viacom International.

To the extent that a court were to find that (x) a guarantee was incurred by Viacom International with the intent to hinder, delay or defraud any present or future creditor or (y) Viacom International did not receive fair consideration or reasonably equivalent value for issuing its guarantee and Viacom International (i) was insolvent or rendered insolvent by reason for the issuance of the guarantee, (ii) was engaged or about to engage in a business or transaction for which the remaining assets of Viacom International constituted unreasonably small capital to carry on its business or (iii) intended to incur, or believed that it would incur, debts beyond its ability to pay such debts as they matured, the court could subordinate or avoid all or part of such guarantee in favor of Viacom International's other creditors. To the extent any guarantee issued by Viacom International was voided as a fraudulent conveyance or held unenforceable for any other reason, the holders of exchange senior securities guaranteed by Viacom International could cease to have any claim against Viacom International and would be creditors solely of Viacom.

We and Viacom International believe that the issuances of the guarantees by Viacom International are not fraudulent conveyances. There can be no assurance, however, that a court passing on such questions would reach the same conclusions. In rendering their opinions on the validity of the exchange senior securities and, if applicable, the related guarantees, neither our counsel nor counsel for Viacom International will express any opinion as to federal or state laws relating to fraudulent transfers.

USE OF PROCEEDS

We will not receive any proceeds from the exchange offer. In consideration for issuing the exchange senior securities contemplated by this prospectus, we will receive unregistered senior securities from you in like principal amount. The unregistered senior securities surrendered in exchange for the exchange senior securities will be retired and canceled and cannot be reissued. Accordingly, issuance of the exchange senior securities will not

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result in any change in our indebtedness.

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CAPITALIZATION

The following table sets forth our capitalization as of September 30, 2000 on a historical basis, as reported by Viacom and on a pro forma basis to reflect the contemplated Viacom/Infinity merger, the issuance and sale of the senior securities and the repayment of notes payable to banks from the proceeds of the issuance and sale of the senior securities.

	At September 30, 2000 (Unaudited)
	-----
	Viacom Historical
	-----
	(in millions, except for amounts in parentheses)
Long-term debt:	
Continuing operations:	
Notes payable to banks (including commercial paper).....	\$ 6,046
Senior notes and debentures (5.875%-9.75%, due 2000-2023).....	3,879
Senior subordinated notes (8.875%-10.25%, due 2001-2007).....	705
Subordinated exchange debentures (11.375%, due 2009).....	45
Obligations under capital leases.....	553
6.40% Senior notes due 2006.....	--
7.70% Senior notes due 2010.....	1,149
7.875% Senior debentures due 2030.....	500
	-----
Total debt.....	12,877
	-----
Stockholders' equity:	
Class A common stock, par value \$.01 per share; 500 shares authorized; 139 shares issued .....	1
Class B common stock, par value \$.01 per share; 3,000 shares authorized; 1,454 shares issued, and 1,685 shares on a pro forma basis for the Infinity Merger.	15
Additional paid-in capital.....	49,975
Retained earnings .....	1,401
Accumulated other comprehensive loss.....	(126)
Less: Treasury stock .....	(3,071)
	-----
Total stockholders' equity.....	48,195
	-----
Total capitalization.....	\$61,072
	=====

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(1) Except as set forth above and except as otherwise disclosed in any documents

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incorporated herein by reference, there has been no material change in the total capitalization of Viacom since September 30, 2000.

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### THE EXCHANGE OFFER

#### Purpose and Effect of Exchange Offer; Registration Rights

We sold the unregistered senior securities to Merrill Lynch, Pierce, Fenner & Smith Incorporated and Salomon Smith Barney Inc., as representatives of the initial purchasers, on January 17, 2001. The initial purchasers then resold the unregistered senior securities under an offering memorandum dated January 9, 2001 in reliance on Rule 144A and Regulation S under the Securities Act. On January 17, 2001, we entered into a registration rights agreement with the initial purchasers. Under the registration rights agreement, we agreed:

- o to file with the SEC a registration statement relating to the exchange offer under the Securities Act no later than March 18, 2001;
- o to use our reasonable best efforts to cause the exchange offer registration statement to be declared effective under the Securities Act on or before July 16, 2001; and
- o to use our reasonable best efforts to cause the exchange offer to be consummated not later than 45 days following the date of effectiveness of the exchange offer registration statement.

If you participate in the exchange offer, you will, with limited exceptions, receive senior securities that are freely tradable and not subject to restrictions on transfer. You should read the information in this prospectus under the heading "Resales of Exchange Senior Securities" for more information relating to your ability to transfer exchange senior securities.

If you wish to exchange unregistered senior securities for exchange senior securities in the exchange offer, you will be required to make certain representations in the letter of transmittal. These include representations that:

- o any exchange senior securities to be received by you will be acquired in the ordinary course of your business;
- o you are not engaged in, do not intend to engage in or have any arrangement or understanding with any person to participate in the distribution of the unregistered senior securities or exchange senior securities;
- o you are not an "affiliate" (as defined in Rule 405 under the Securities Act) of Viacom or Viacom International or, if you are such an affiliate, you will comply with the registration and prospectus delivery requirements of the Securities Act to the extent applicable;
- o if you are a broker-dealer, you are not engaged in, and do not intend to engage in, the distribution of exchange senior securities;
- o if you are a broker-dealer, you will receive exchange senior securities for your own account in exchange for unregistered senior

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securities that were acquired as a result of market-making activities or other trading activities and that you will deliver a prospectus in connection with any resale of such exchange senior securities; and

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- o you are not acting on behalf of any person who could not truthfully make the foregoing representations.

The exchange offer is not being made to, nor will we accept tenders for exchange from, holders of unregistered senior securities in any jurisdiction in which the exchange offer or the acceptance of the exchange offer would not be in compliance with the securities laws or blue sky laws of such jurisdiction.

If you are eligible to participate in the exchange offer and do not tender your unregistered senior securities, you will hold the untendered unregistered senior securities which will continue to be subject to restrictions on transfer under the Securities Act.

### Shelf Registration

In the registration rights agreement, we agreed to file a shelf registration statement only if:

- o after January 17, 2001, there is a change in law or applicable interpretations of the law by the staff of the SEC, and as a result we are not permitted to complete the exchange offer as contemplated by the registration rights agreement;
- o any holder of unregistered senior securities is not able to participate in the exchange offer;
- o any holder of unregistered senior securities does not receive fully transferable exchange senior securities;
- o the exchange offer registration statement is not declared effective by July 16, 2001 or the exchange offer is not consummated within 45 days after the exchange offer registration statement is declared effective, although we may terminate such shelf registration statement at any time, without penalty, if the exchange offer registration statement is declared effective or the exchange offer is consummated; or
- o upon the request of any of the initial purchasers made within 90 days after the consummation of the exchange offer with respect to unregistered senior securities not eligible to be exchanged in the exchange offer and held by it following the consummation of the exchange offer.

The shelf registration statement will permit only certain holders to resell their unregistered senior securities from time to time. In addition, such holders must:

- o provide specified information in connection with the shelf registration statement; and
- o agree in writing to be bound by all provisions of the registration rights agreement (including the applicable indemnification obligations).



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A holder who sells unregistered senior securities pursuant to the shelf registration statement will be required to be named as a selling securityholder in the prospectus and to deliver a copy of the prospectus to purchasers. If we are required to file a shelf registration statement, we will provide to each holder of unregistered senior securities copies of the prospectus that is a part of the shelf registration statement and notify each such holder when the shelf registration statement becomes effective. Such holder will be subject to certain of the civil liability provisions under the Securities Act in connection with such sales, and will be bound by the provisions of the registration rights agreement which are applicable to such a holder (including the applicable indemnification obligations).

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If a shelf registration statement is required, we will use our reasonable best efforts to:

- o file the shelf registration statement with the SEC no later than (a) August 15, 2001 or (b) the 60th day after such filing obligation arises, whichever is later;
- o use our reasonable efforts to cause the shelf registration statement to be declared effective by the SEC no later than September 14, 2001; and
- o use our reasonable efforts to keep the shelf registration statement effective until January 17, 2003, or if earlier until all of the unregistered senior securities covered by the shelf registration statement are sold thereunder or are already freely tradable.

During any 365-day period, we will have the ability to suspend the availability of the shelf registration statement for up to 4 periods of up to 45 consecutive days (except for the consecutive 45-day period immediately prior to the maturity of the notes), but no more than an aggregate of 90 days during any 365-day period, if our board of directors determines in good faith that there is a valid purpose for the suspension.

### Additional Interest

If a registration default (as defined below) occurs, we will be required to pay additional interest to each holder of unregistered senior securities. During the first 90-day period that a registration default occurs, we will pay additional interest equal to 0.25% per annum. At the beginning of the second and any subsequent 90-day period that a registration default is continuing, the amount of additional interest will increase by an additional 0.25% per annum until all registration defaults have been cured. However, in no event will the rate of additional interest exceed 0.50% per annum. Such additional interest will accrue only for those days that a registration default occurs and is continuing. All accrued additional interest will be paid to the holders of the unregistered senior securities in the same manner as interest payments on the unregistered senior securities are made, with payments being made on the interest payment dates for the senior securities. Following the cure of all registration defaults, no more additional interest will accrue. You will not be entitled to receive any additional interest if you were, at any time while the exchange offer was pending, eligible to exchange, and did not validly tender, your unregistered senior securities for exchange senior securities in the exchange offer.

A "registration default" includes any of the following:

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- o we fail to file any of the registration statements required by the registration rights agreement on or before March 18, 2001;
- o any of such registration statements is not declared effective by the SEC on or before July 16, 2001;
- o we fail to complete the exchange offer no later than 45 days following the date of effectiveness of the exchange offer registration statement; or
- o the shelf registration statement or the exchange offer registration statement is declared effective but thereafter ceases to be effective or usable in connection with resales of the senior securities during the period specified in the registration rights agreement, subject to certain exceptions for limited periods of time with respect to the shelf registration statement.

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The exchange offer is intended to satisfy our exchange offer obligations under the registration rights agreement. The above summary of the registration rights agreement is not complete and is subject to, and qualified by reference to, all the provisions of the registration rights agreement. A copy of the registration rights agreement is filed as an exhibit to the registration statement that includes this prospectus.

### Terms of the Exchange Offer

Upon the terms and subject to the conditions set forth in this prospectus and in the accompanying letter of transmittal, we are offering to exchange \$1,000 principal amount of exchange senior securities for each \$1,000 principal amount of unregistered senior securities. You may tender some or all of your unregistered senior securities only in integral multiples of \$1,000. As of the date of this prospectus, \$400 million aggregate principal amount of the unregistered 2006 senior notes, \$500 million aggregate principal amount of the unregistered 2010 senior notes and \$750 million aggregate principal amount of the unregistered senior debentures are outstanding.

The terms of the exchange senior securities to be issued are substantially similar to the unregistered senior securities, except that the exchange senior securities have been registered under the Securities Act and, therefore, the certificates for the exchange senior securities will not bear legends restricting their transfer. The exchange senior securities will be issued under and be entitled to the benefits of the Indenture, dated as of May 15, 1995, among us, our wholly owned subsidiary, Viacom International, as guarantor, and Citibank, N.A., as successor to State Street Bank and Trust Company and The First National Bank of Boston, Trustee. The Indenture was supplemented by the First Supplemental Indenture, dated as of May 24, 1995, was supplemented and amended by the Second Supplemental Indenture and Amendment No. 1, dated as of December 15, 1995, was supplemented by the Third Supplemental Indenture, dated as of July 22, 1996, was supplemented by the Fourth Supplemental Indenture, dated as of August 1, 2000, and, in connection with the unregistered senior securities, was supplemented by a Fifth Supplemental Indenture, dated January 17, 2001. We refer to the Indenture, as so supplemented and amended, as the "Indenture."

In connection with the issuance of the unregistered senior securities, we arranged for the unregistered senior securities to be issued and transferable

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in book-entry form through the facilities of Euroclear, Clearstream Luxembourg and DTC, acting as a depository. The exchange senior securities will also be issuable and transferable in book-entry form through Euroclear, Clearstream Luxembourg and DTC.

There will be no fixed record date for determining the eligible holders of the unregistered senior securities that are entitled to participate in the exchange offer. We will be deemed to have accepted for exchange validly tendered unregistered senior securities when and if we have given oral (promptly confirmed in writing) or written notice of acceptance to the exchange agent. The exchange agent will act as agent for the tendering holders of unregistered senior securities for the purpose of receiving exchange senior securities from us and delivering them to such holders.

If any tendered unregistered senior securities are not accepted for exchange because of an invalid tender or the occurrence of certain other events described herein, certificates for any such unaccepted unregistered senior securities will be returned, without expenses, to the tendering holder thereof as promptly as practicable after the expiration of the exchange offer.

Holders of unregistered senior securities who tender in the exchange offer will not be required to pay brokerage commissions or fees or, subject to the instructions in the letter of transmittal, transfer taxes

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with respect to the exchange of unregistered senior securities for exchange senior securities pursuant to the exchange offer. We will pay all charges and expenses, other than certain applicable taxes, in connection with the exchange offer. It is important that you read the section "Fees and Expenses" below for more details regarding fees and expenses incurred in the exchange offer.

If we successfully complete this exchange offer, any unregistered senior securities which holders do not tender or which we do not accept in the exchange offer will remain outstanding and continue to accrue interest, but the holders of unregistered senior securities after the exchange offer in general will not have further rights under the registration rights agreement and we will not have any further obligation to register the unregistered senior securities under the Securities Act. In that case, holders wishing to transfer unregistered senior securities would have to rely on exemptions from the registration requirements of the Securities Act.

### Conditions of the Exchange Offer

You must tender your unregistered senior securities in accordance with the requirements of this prospectus and the letter of transmittal in order to participate in the exchange offer. Notwithstanding any other provision of the exchange offer, or any extension of the exchange offer, we will not be required to accept for exchange any unregistered senior securities, and may terminate or amend the exchange offer if:

- o the exchange offer, or the making of any exchange by a senior security holder, violates applicable law or any applicable interpretation of the staff of the SEC,
- o any action or proceeding shall have been instituted or threatened with respect to the exchange offer which, in our judgment or the judgment of the guarantor, would impair our ability to proceed with the

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exchange offer, and

- o any law, rule or regulation or applicable interpretations of the staff of the SEC have been issued or promulgated which, in our good faith determination or the good faith determination of the guarantor, does not permit us to effect the exchange offer.

If we determine in our sole discretion that any of the above events or conditions has occurred, we may, subject to applicable law, terminate the exchange offer and return all unregistered senior securities tendered for exchange, or we may waive any condition or amend the terms of the exchange offer. Any determination by us concerning the events described above will be final and binding upon parties.

Expiration Date; Extensions; Amendment; Termination

The exchange offer will expire 5:00 p.m., New York City time, on February , 2001, unless, in our sole discretion, we extend it.

We reserve the right:

- o to delay accepting any unregistered senior security;
- o to amend the terms of the exchange offer in any manner;
- o to extend the exchange offer; or
- o to terminate the exchange offer, if any of the conditions set forth above occur and we do not waive them.

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We will give oral or written notice of any amendment, non-acceptance or termination to registered holders of the unregistered senior securities as promptly as practicable. In the case of any extension, we will notify the exchange agent orally (promptly confirmed in writing) or in writing of any extension. We will also notify the registered holders of unregistered senior securities of the extension no later than 9:00 a.m., New York City time, on the business day after the previously scheduled expiration of the exchange offer.

If we consider an amendment to the exchange offer to be material, we will promptly inform the holders of unregistered senior securities of such amendment in a reasonable manner.

If we decide to terminate the exchange offer, as set forth above, we may

- o refuse to accept any unregistered senior securities and return any unregistered senior securities that have been tendered to the holders;
- o extend the exchange offer and retain all unregistered senior securities tendered prior to the expiration of the exchange offer, subject to the rights of such holders of tendered unregistered senior securities to withdraw their tendered unregistered senior securities, or
- o waive such termination event with respect to the exchange offer and accept all properly tendered unregistered senior securities that have not been withdrawn. If such waiver constitutes a material change in

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the exchange offer, we will disclose such change by means of a supplement to this prospectus that will be distributed to each registered holder of unregistered senior securities, and we will extend the exchange offer for a period of five to ten business days, depending upon the significance of the waiver and the manner of disclosure to the registered holders of the unregistered senior securities, if the exchange offer would otherwise expire during such period.

Without limiting the manner by which we may choose to make public announcements of any delay in acceptance, extension, termination or amendment of the exchange offer, we will have no obligation to publish, advertise, or otherwise communicate any such public announcement, other than by making a timely release to a financial news service.

### Interest on the Exchange Senior Securities

The exchange senior securities will accrue interest from the date interest was last paid on the unregistered senior securities. If no interest was paid on your unregistered senior securities, your exchange senior securities will accrue interest from and including January 17, 2001. Interest will be paid on the exchange senior securities semi-annually on January 30 and July 30 of each year, except that there will be no January 30, 2001 interest payment date for any exchange 2006 senior notes. Holders of unregistered senior securities that are accepted for exchange will be deemed to have waived the right to receive any payment in respect of interest accrued from the date of the last interest payment date that was made in respect of the unregistered senior securities until the date of the issuance of the exchange senior securities. Consequently, holders who exchange their unregistered senior securities will receive the same interest payments they would have received had they not accepted the exchange offer.

### Resale of Exchange Senior Securities

Based upon existing interpretations of the staff of the SEC set forth in several no-action letters issued to third parties, we believe that the exchange senior securities issued pursuant to the exchange offer in exchange for the unregistered senior securities may be offered for resale, resold and otherwise

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transferred by their holders, without complying with the registration and prospectus delivery provisions of the Securities Act, provided that:

- o any exchange senior securities to be received by you will be acquired in the ordinary course of your business;
- o you are not engaged in, do not intend to engage in or have any arrangement or understanding with any person to participate in the distribution of the unregistered senior securities or exchange senior securities;
- o you are not an "affiliate" (as defined in Rule 405 under the Securities Act) of Viacom or Viacom International or, if you are such an affiliate, you will comply with the registration and prospectus delivery requirements of the Securities Act to the extent applicable;
- o if you are a broker-dealer, you are not engaged in, and do not intend

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to engage in, the distribution of exchange senior securities;

- o if you are a broker-dealer, you will receive exchange senior securities for your own account in exchange for unregistered senior securities that were acquired as a result of market-making activities or other trading activities and that you will deliver a prospectus in connection with any resale of such exchange senior securities; and
- o you are not acting on behalf of any person who could not truthfully make the foregoing representations.

Holders of unregistered senior securities wishing to accept the exchange offer must represent to us that such conditions have been met.

Each broker-dealer that receives exchange senior securities in exchange for unregistered senior securities held for its own account, as a result of market-making or other trading activities, must acknowledge that it will deliver a prospectus in connection with any resale of the exchange senior securities. The letter of transmittal states that by so acknowledging and by delivering a prospectus, such broker-dealer will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act. The prospectus, as it may be amended or supplemented from time to time, may be used by such broker-dealer in connection with resales of exchange senior securities received in exchange for unregistered senior securities. We have agreed that, for a period of 180 days after the expiration of the exchange offer, we will make this prospectus and any amendment or supplement to this prospectus available to any such broker-dealer for use in connection with any such resale.

### Clearing of the Exchange Senior Securities

Upon consummation of the exchange offer, the exchange 2006 senior securities will have different CUSIP numbers, different Common Codes and different ISINs from those under which the Rule 144A securities have traded (and, to the extent not tendered, will continue to trade). Upon consummation of the exchange offer, the exchange 2010 senior securities and the exchange debentures will have the same CUSIP numbers, Common Codes and ISINs given to our 7.70% senior notes due 2010 and our 7.875% senior debentures due 2030, respectively, which were issued on August 1, 2000.

Regulation S senior securities not tendered for exchange will continue to clear through Euroclear and Clearstream Luxembourg under their original Common Codes and their ISINs will remain the same. Regulation S senior securities (unless acquired by a manager as part of their original distribution) may

now be sold in the United States or to U.S. persons and, upon any such transfer, a beneficial interest in the Regulation S global senior securities will be able to be exchanged for an interest in the exchange global senior security in accordance with procedures established by Euroclear or Clearstream Luxembourg and DTC.

Beneficial interests in the restricted Regulation S global senior securities may be transferred to a person who takes delivery in the form of an interest in the Regulation S global senior securities upon receipt by the trustee of a written certification from the transferor, in the form provided in the Indenture, to the effect that the transfer is being made in accordance with Rule 903 or 904 of Regulation S.

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We cannot predict the extent to which beneficial owners of an interest in the Regulation S global senior securities will participate in the exchange offer. Beneficial owners should consult their own financial advisors as to the benefits to be obtained from exchange.

### Procedures for Tendering

The term "holder" with respect to the exchange offer means any person in whose name unregistered senior securities are registered on our books or any other person who has obtained a properly completed bond power from the registered holder, or any person whose unregistered senior securities are held of record by DTC, Euroclear or Clearstream Luxembourg who desires to deliver such unregistered senior securities by book-entry transfer at DTC, Euroclear or Clearstream Luxembourg as the case may be.

Except in limited circumstances, only a Euroclear participant, Clearstream Luxembourg participant or a DTC participant listed on a DTC securities position listing with respect to the unregistered senior securities may tender its unregistered senior securities in the exchange offer. To tender unregistered senior securities in the exchange offer:

- o holders of unregistered senior securities that are DTC participants may follow the procedures for book-entry transfer as provided for below under "Book-Entry Transfer" and in the letter of transmittal.
- o Euroclear participants and Clearstream Luxembourg participants on behalf of the beneficial owners of senior securities are required to use book-entry transfer pursuant to the standard operating procedures of Euroclear or Clearstream Luxembourg, as the case may be, which include transmission of a computer-generated message to Euroclear or Clearstream Luxembourg, as the case may be, in lieu of a letter of transmittal. See the term "agent's message" under "Book-Entry Transfer."

In addition, either:

- o the exchange agent must receive any corresponding certificate or certificates representing unregistered senior securities along with the letter of transmittal;
- o the exchange agent must receive, before expiration of the exchange offer, a timely confirmation of book-entry transfer of unregistered senior securities into the exchange agent's account at DTC, Euroclear or Clearstream Luxembourg according to their respective standard operating procedures for electronic tenders described below and a properly transmitted agent's message described below; or
- o the holder must comply with the guaranteed delivery procedures described below.

The tender by a holder of unregistered senior securities will constitute an agreement between such holder and us in accordance with the terms and subject to the conditions set forth in this prospectus and in the letter of transmittal. If less than all the unregistered senior securities held by a holder of unregistered senior securities are tendered, a tendering holder should fill in the amount of unregistered senior securities being tendered in the specified box on the letter of transmittal. The entire amount of unregistered

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senior securities delivered to the exchange agent will be deemed to have been tendered unless otherwise indicated.

The method of delivery of unregistered senior securities, the letter of transmittal and all other required documents or transmission of an agent's message, as described under "Book Entry Transfer," to the exchange agent is at the election and risk of the holder. Instead of delivery by mail, we recommend that holders use an overnight or hand delivery service. In all cases, sufficient time should be allowed to assure timely delivery prior to the expiration of the exchange offer. No letter of transmittal or unregistered senior securities should be sent to us. Delivery of documents to DTC, Euroclear or Clearstream Luxembourg in accordance with their respective procedures will not constitute delivery to the exchange agent.

Any beneficial holder whose unregistered senior securities are registered in the name of his broker, dealer, commercial bank, trust company or other nominee and who wishes to tender should contact such registered holder promptly and instruct such registered holder to tender on his behalf. If such beneficial holder wishes to tender on his own behalf, such beneficial holder must, prior to completing and executing the letter of transmittal and delivering his or her unregistered senior securities, either:

- o make appropriate arrangements to register ownership of the unregistered senior securities in such holder's name, or
- o obtain a properly completed bond power from the registered holder.

The transfer of record ownership may take considerable time and may not be completed prior to the expiration date.

Signatures on a letter of transmittal or a notice of withdrawal as described in "-- Withdrawal of Tenders" below, as the case may be, must be guaranteed by a member firm of a registered national securities exchange or of the National Association of Securities Dealers, Inc., a commercial bank or trust company having an office or correspondent in the United States or an "eligible guarantor institution" within the meaning of Rule 17Ad-15 under the Exchange Act, unless the unregistered senior securities tendered pursuant thereto are tendered:

- o by a registered holder who has not completed the box entitled "Special Registration Instructions" or "Special Delivery Instructions" on the letter of transmittal; or
- o for the account of an eligible institution.

If the letter of transmittal is signed by a person other than the registered holder of any unregistered senior securities listed therein, the unregistered senior securities must be endorsed or accompanied by appropriate bond powers which authorize the person to tender the unregistered senior securities on behalf of the registered holder, in either case signed as the name of the registered holder or holders appears on the unregistered senior securities. If the letter of transmittal or any unregistered senior securities or bond powers are signed by trustees, executors, administrators, guardians, attorneys-in-fact, officers of corporations or others acting in a fiduciary or representative capacity, such persons should so

indicate when signing and, unless waived by us, evidence satisfactory to us of their authority to so act must be submitted with the letter of transmittal.



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We will determine in our sole discretion all the questions as to the validity, form, eligibility (including time of receipt), acceptance and withdrawal of the tendered unregistered senior securities. Our determinations will be final and binding. We reserve the absolute right to reject any and all unregistered senior securities not validly tendered or any unregistered senior securities our acceptance of which would, in the opinion of our counsel, be unlawful. We also reserve the absolute right to waive any irregularities or conditions of tender as to particular unregistered senior securities. Our interpretation of the terms and conditions of the exchange offer (including the instructions in the letter of transmittal) will be final and binding on all parties. Unless waived, any defects or irregularities in connection with tenders of unregistered senior securities must be cured within such time as we will determine. Neither we, the exchange agent nor any other person shall be under any duty to give notification of defects or irregularities with respect to tenders of unregistered senior securities nor shall any of them incur any liability for failure to give such notification. Tenders of unregistered senior securities will not be deemed to have been made until such irregularities have been cured or waived. Any unregistered senior securities received by the exchange agent that are not properly tendered and as to which the defects or irregularities have not been cured or waived will be returned without cost by the exchange agent to the tendering holder of such unregistered senior securities unless otherwise provided in the letter of transmittal, as soon as practicable following the expiration date of the exchange offer.

In addition, we reserve the right in our sole discretion to (a) purchase or make offers for any unregistered senior securities that remain outstanding subsequent to the expiration date, and (b) to the extent permitted by applicable law, purchase unregistered senior securities in the open market, in privately negotiated transactions or otherwise. The terms of any such purchases or offers may differ from the terms of the exchange offer.

By signing the letter of transmittal, each tendering holder of unregistered senior securities will represent to us that, among other things:

- o any exchange senior securities to be received by the holder will be acquired in the ordinary course of the holder's business;
- o the holder is not engaged in, does not intend to engage in or have any arrangement or understanding with any person to participate in the distribution of the unregistered senior securities or exchange senior securities;
- o the holder is not an "affiliate" (as defined in Rule 405 under the Securities Act) of Viacom or Viacom International or, if the holder is such an affiliate, the holder will comply with the registration and prospectus delivery requirements of the Securities Act to the extent applicable;
- o if the holder is a broker-dealer, the holder is not engaged in, and does not intend to engage in, the distribution of exchange senior securities;
- o if the holder is a broker-dealer, the holder will receive exchange senior securities for the holder's own account in exchange for unregistered senior securities that were acquired as a result of market-making activities or other trading activities and that the holder will deliver a prospectus in connection with any resale of such exchange senior securities (see "Plan of Distribution" below); and

- o the holder is not acting on behalf of any person who could not truthfully make the foregoing representations.

#### Book-Entry Transfer

We understand that the exchange agent will make a request promptly after the date of this document to establish accounts with respect to the unregistered senior securities at DTC, Euroclear or Clearstream Luxembourg for the purpose of facilitating the exchange offer. Any financial institution that is a participant in DTC's system may make book-entry delivery of unregistered senior securities by causing DTC to transfer such unregistered senior securities into the exchange agent's DTC account in accordance with DTC's Automated Tender Offer Program procedures for such transfer. Any participant in Euroclear or Clearstream Luxembourg may make book-entry delivery of Regulation S unregistered senior securities by causing Euroclear or Clearstream Luxembourg to transfer such senior securities into the exchange agent's account in accordance with established Euroclear or Clearstream Luxembourg procedures for transfer. The exchange for tendered unregistered senior securities will only be made after a timely confirmation of a book-entry transfer of the unregistered senior securities into the exchange agent's account, and timely receipt by the exchange agent of an agent's message.

The term "agent's message" means a message, transmitted by DTC, Euroclear or Clearstream Luxembourg, as the case may be, and received by the exchange agent and forming part of the confirmation of a book-entry transfer, which states that DTC, Euroclear or Clearstream Luxembourg, as the case may be, has received an express acknowledgment from a participant tendering unregistered senior securities and that such participant has received an appropriate letter of transmittal and agrees to be bound by the terms of the letter of transmittal, and we may enforce such agreement against the participant. Delivery of an agent's message will also constitute an acknowledgment from the tendering DTC, Euroclear or Clearstream Luxembourg participant, as the case may be, that the representations contained in the appropriate letter of transmittal and described above are true and correct.

#### Guaranteed Delivery Procedures

Holders who wish to tender their unregistered senior securities and (i) whose unregistered senior securities are not immediately available, or (ii) who cannot deliver their unregistered senior securities, the letter of transmittal, or any other required documents to the exchange agent prior to the expiration date, or if such holder cannot complete the procedure under the respective DTC, Euroclear or Clearstream Luxembourg standard operating procedures for electronic tenders before expiration of the exchange offer, may tender their unregistered senior securities if:

- o the tender is made through an eligible institution;
- o before expiration of the exchange offer, the exchange agent receives from the eligible institution either a properly completed and duly executed notice of guaranteed delivery in the form accompanying this prospectus, by facsimile transmission, mail or hand delivery, or a properly transmitted agent's message in lieu of notice of guaranteed delivery:
  - o setting forth the name and address of the holder and the registered number(s), the certificate number or numbers of the unregistered senior securities tendered and the principal amount of unregistered senior securities tendered;

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- o stating that the tender offer is being made by guaranteed delivery; and

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- o guaranteeing that, within five business days after expiration of the exchange offer, the letter of transmittal, or facsimile of the letter of transmittal, together with the unregistered senior securities tendered or a book-entry confirmation, and any other documents required by the letter of transmittal will be deposited by the eligible institution with the exchange agent; and
- o the exchange agent receives the properly completed and executed letter of transmittal, or facsimile of the letter of transmittal, as well as all tendered unregistered senior securities in proper form for transfer or a book-entry confirmation, and all other documents required by the letter of transmittal, within five business days after expiration of the exchange offer.

Upon request to the exchange agent, a notice of guaranteed delivery will be sent to holders who wish to tender their unregistered senior securities according to the guaranteed delivery procedures set forth above.

### Withdrawal of Tenders

Except as otherwise provided herein, tenders of unregistered senior securities may be withdrawn at any time prior to 5:00 p.m., New York City time, on the expiration date of the exchange offer.

For a withdrawal to be effective:

- o the exchange agent must receive a written notice, which may be by telegram, telex, facsimile transmission or letter, of withdrawal at the address set forth below under "Exchange Agent"; or
- o for DTC, Euroclear or Clearstream Luxembourg participants, holders must comply with their respective standard operating procedures for electronic tenders and the exchange agent must receive an electronic notice of withdrawal from DTC, Euroclear or Clearstream Luxembourg.

Any notice of withdrawal must:

- o specify the name of the person who tendered the unregistered senior securities to be withdrawn;
- o identify the unregistered senior securities to be withdrawn, including the certificate number or numbers and principal amount of the unregistered senior securities to be withdrawn;
- o be signed by the person who tendered the unregistered senior securities in the same manner as the original signature on the letter of transmittal, including any required signature guarantees; and
- o specify the name in which the unregistered senior securities are to be re-registered, if different from that of the withdrawing holder.

If unregistered senior securities have been tendered pursuant to the procedure for book-entry transfer described above, any notice of withdrawal must

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specify the name and number of the account at DTC, Euroclear or Clearstream Luxembourg to be credited with the withdrawn unregistered senior

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securities and otherwise comply with the procedures of the facility. We will determine all questions as to the validity, form and eligibility (including time of receipt) for such withdrawal notices, and our determination shall be final and binding on all parties. Any unregistered senior securities so withdrawn will be deemed not to have been validly tendered for purposes of the exchange offer and no exchange senior securities will be issued with respect thereto unless the unregistered senior securities so withdrawn are validly tendered. Any unregistered senior securities which have been tendered but which are not accepted for exchange will be returned to the holder without cost to such holder as soon as practicable after withdrawal, rejection of tender or termination of the exchange offer. Properly withdrawn unregistered senior securities may be re-tendered by following the procedures described above under "Procedures for Tendering" at any time prior to the expiration date.

### Consequences of Failure to Exchange

Unregistered senior securities that are not exchanged will remain "restricted securities" within the meaning of Rule 144(a)(3) of the Securities Act. Accordingly, they may not be offered, sold, pledged or otherwise transferred, except:

- o to us or to any of our subsidiaries,
- o inside the United States to a qualified institutional buyer in compliance with Rule 144A,
- o inside the United States to an institutional accredited investor that, prior to such transfer, furnishes to the trustee a signed letter containing certain representations and agreements relating to the restrictions on transfer of the unregistered senior securities, the form of which you can obtain from the trustee, and, at our request, an opinion of counsel acceptable to us that the transfer complies with the Securities Act,
- o outside the United States in compliance with Rule 904 under the Securities Act,
- o pursuant to the exemption from registration provided by Rule 144 under the Securities Act, if available, or
- o pursuant to an effective registration statement under the Securities Act.

The liquidity of the unregistered senior securities could be adversely affected by the exchange offer. Following the consummation of the exchange offer, holders of unregistered senior securities will have no further registration rights under the registration rights agreement.

### Exchange Agent

Citibank, N.A. has been appointed as the principal exchange agent and Kredietbank S.A. Luxembourgeoise has been appointed as the Luxembourg exchange agent for the exchange of the unregistered senior securities. In its capacity as Luxembourg exchange agent, Kredietbank will act solely as an intermediary

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between holders of unregistered senior securities wishing to accept the exchange offer and the principal exchange agent. Kredietbank will forward the tenders it receives to the principal exchange agent. Questions and requests for assistance relating to the exchange of the unregistered senior securities should be directed to the exchange agents addressed as follows:

By Mail or Hand Delivery:

Citibank N.A.

Kredietbank S.A. Luxembourgeoise

29

111 Wall Street, 5th Floor  
New York, New York 10005

43, Boulevard Royal  
L-2955 Luxembourg

Facsimile Transmission:  
(212) 825-3483  
Confirm by Telephone:  
(800) 422-2066

Facsimile Transmission:  
(352) 47 97 73 951  
Confirm by Telephone:  
(352) 47 97 3933

### Fees and Expenses

We will bear the expenses of soliciting tenders pursuant to the exchange offer. The principal solicitation for tenders pursuant to the exchange offer is being made by mail. Additional solicitations may be made by our officers and regular employees and our affiliates in person, by telegraph or telephone.

We will not make any payments to brokers, dealers or other persons soliciting acceptances of the exchange offer. We, however, will pay the exchange agent reasonable and customary fees for its services and will reimburse the exchange agent for its related reasonable out-of-pocket expenses and accounting and legal fees. We may also pay brokerage houses and other custodians, nominees and fiduciaries the reasonable out-of-pocket expenses incurred by them in forwarding copies of this prospectus, letters of transmittal and related documents to the beneficial owners of the unregistered senior securities and in handling or forwarding tenders for exchange.

We will pay all transfer taxes, if any, applicable to the exchange of unregistered senior securities pursuant to the exchange offer. The tendering holder, however, will be required to pay any transfer taxes whether imposed on the registered holder or any other person, if:

- o certificates representing exchange senior securities or unregistered senior securities for principal amounts not tendered or accepted for exchange are to be delivered to, or are to be registered or issued in the name of, any person other than the registered holder of unregistered senior securities tendered;
- o tendered unregistered senior seNT>

### Net cash used in operating activities of discontinued operations

(1,441,903  
)

(3,016,152  
)

Net cash provided by (used in) operating activities

(2,769,439  
)

(6,495,084  
)

28,646,966

28,912,704

**Investing Activities**

Purchases of fixed assets

(16,407,048  
)

(2,731,991  
)

(30,014,340  
)

(13,327,526  
)

Other assets

11,820

(30,616  
)

(28,352  
)

20,378

Net cash used in investing activities of continuing operations

(16,395,228  
)

(2,762,607  
)

(30,042,692  
)

(13,307,148  
)

Net cash provided by (used in) investing activities of discontinued operations

291,591

(224,217  
)

Net cash used in investing activities



(16,395,228  
)

(2,471,016  
)

(30,042,692  
)

(13,531,365  
)

**Financing Activities**

Proceeds from issuance of common stock

(152,303  
)

370,391

6,620,151

1,980,244

Excess tax benefits from option exercises

642,210

1,200,447

2,759,510

1,590,447

Net cash provided by financing activities

489,907

1,570,838

9,379,661

3,570,691

Net increase (decrease) in cash and cash equivalents

(18,674,760  
)

(7,395,262  
)

7,983,935

18,952,030

Cash and cash equivalents at beginning of the period

116,887,735

59,976,780

90,229,040

33,629,488

Cash and cash equivalents at end of the period

\$  
98,212,975

\$  
52,581,518

\$  
98,212,975

\$  
52,581,518

*See accompanying notes.*

**Table of Contents**

**CHARLOTTE RUSSE HOLDING, INC.**

**Notes to Consolidated Financial Statements (Unaudited)**

**1. Interim Financial Statements**

The accompanying unaudited consolidated financial statements of Charlotte Russe Holding, Inc. (the Company) have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Certain information and footnote disclosures required by accounting principles generally accepted in the United States for complete financial statements have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission. In the opinion of management, the accompanying unaudited financial statements contain all material adjustments, including normal recurring accruals, necessary to present fairly the Company's financial position, results of operations and cash flows for the periods indicated, and have been prepared in a manner consistent with the audited financial statements for the fiscal year ended September 30, 2006.

Due to the seasonal nature of the Company's business, the results of operations for the six month period ended March 31, 2007 are not necessarily indicative of the results of a full fiscal year.

These financial statements should be read in conjunction with the audited financial statements and the footnotes for the fiscal year ended September 30, 2006 included in the Company's Annual Report on Form 10-K, filed with the Securities and Exchange Commission on December 13, 2006.

**2. Discontinued Operations**

The Company's efforts to reposition the Rampage stores proved unsuccessful and management determined that sufficient indicators of impairment of the Rampage long-lived assets existed as of March 25, 2006. These assets principally consisted of the store leasehold improvements, store fixtures and store equipment. As a result, a \$22.5 million non-cash impairment charge was recorded in the second quarter of fiscal 2006 to write down substantially all of the carrying value of the Rampage long-lived assets as of March 25, 2006.

During the third quarter of fiscal 2006, management completed an evaluation of the strategic alternatives for the Rampage stores. That review indicated that certain assets for a majority of the 64 Rampage stores could be sold, based upon specific interest shown by other retailers, while the remaining stores could either be closed or converted to the Charlotte Russe format. In the fourth quarter of fiscal 2006, the lease rights, store fixtures and equipment associated with 43 Rampage store locations were sold for approximately \$13.6 million. Of the remaining 21 Rampage stores in operation at the beginning of the fourth quarter, the Company converted eight stores into Charlotte Russe locations and returned 13 properties back to their respective landlords prior to the end of fiscal 2006.

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As a result, operating results for all Rampage stores during fiscal 2006 have been segregated and shown as discontinued operations in the accompanying Consolidated Statements of Operations. Details of those results were as follows:

	<b>Three Months Ended</b>	<b>Six Months Ended</b>
	<b>March 25, 2006</b>	<b>March 25, 2006</b>
	<b>(13 weeks)</b>	<b>(26 weeks)</b>
Net sales	\$ 17,359,712	\$ 40,318,783
Loss from operations	\$ 6,592,081	\$ 10,590,199
Impairment charges	22,500,000	22,500,000
Loss from operations	29,092,081	33,090,199
Income tax benefit	11,549,556	13,136,809
Net loss on discontinued operations	\$ 17,542,525	\$ 19,953,390

**Table of Contents****CHARLOTTE RUSSE HOLDING, INC.****Notes to Consolidated Financial Statements (Unaudited) (Continued)****2. Discontinued Operations (continued)**

In addition, the Company has segregated the assets and liabilities related to the Rampage stores and shown them as assets and liabilities of discontinued operations in the accompanying Consolidated Balance Sheets. As of September 30, 2006 and March 31, 2007, there were no assets or liabilities that required segregation.

**3. Stock Based Compensation**

Under the 1999 Equity Incentive Plan (the Plan), the Company grants stock options to purchase common stock to some of its employees and non-employee directors at prices equal to the market value of the common stock on the date of grant. At March 31, 2007, there were a total of 3,250,000 shares authorized under the Plan of which 1,158,959 were outstanding and 920,000 were available for future issuance. There were 188,797 shares available for future purchase under the Company's Employee Stock Purchase Plan (ESPP) at March 31, 2007.

The Company recognized the following stock based compensation expense for its stock option and employee stock purchase plans as follows:

	Three Months Ended		Six Months Ended	
	March 31, 2007	March 25, 2006	March 31, 2007	March 25, 2006
	(13 weeks)	(13 weeks)	(26 weeks)	(26 weeks)
Cost of goods sold	\$ 141,293	\$ 57,600	\$ 194,500	\$ 257,600
Selling, general and administrative expenses	602,707	258,400	865,220	678,400
Compensation expense	744,000	316,000	1,059,720	936,000
Income tax benefit	293,136	125,452	417,530	371,592
Reduction of net income	\$ 450,864	\$ 190,548	\$ 642,190	\$ 564,408
Reduction of earnings per share:				
Basic	\$ 0.02	\$ 0.01	\$ 0.03	\$ 0.03
Diluted	\$ 0.02	\$ 0.01	\$ 0.03	\$ 0.03

**4. Net Income Per Common Share**

Basic earnings per share is calculated based on the weighted average outstanding common shares. Diluted earnings per share is calculated based on the weighted average outstanding shares and potentially dilutive stock options and warrants. In accordance with Statement of Financial Accounting Standards, or SFAS, No. 128, *Earnings Per Share*, the following table reconciles net income and share amounts utilized to calculate basic and diluted net income per common share.

	Three Months Ended		Six Months Ended	
	March 31, 2007	March 25, 2006	March 31, 2007	March 25, 2006
	(13 weeks)	(13 weeks)	(26 weeks)	(26 weeks)
Income from continuing operations	\$ 3,834,137	\$ 5,489,836	\$ 17,734,731	\$ 14,959,630
Loss on discontinued operations		(17,542,525)		(19,953,390)
Net income (loss)	\$ 3,834,137	\$ (12,052,689)	\$ 17,734,731	\$ (4,993,760)
Weighted average number of shares:				
Basic	25,316,126	22,444,145	25,180,488	22,328,173
Effect of dilutive warrants		1,858,858		1,855,611
Effect of dilutive stock options	234,863	327,146	284,278	366,606
Diluted	25,550,989	24,630,149	25,464,766	24,550,390



**Table of Contents****CHARLOTTE RUSSE HOLDING, INC.****Notes to Consolidated Financial Statements (Unaudited) (Continued)****4. Net Income Per Common Share (continued)**

The calculation of dilutive shares excludes the effect of the following options and warrants that are considered anti-dilutive:

	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>March 31,</b>	<b>March 25,</b>	<b>March 31,</b>	<b>March 25,</b>
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>(13 weeks)</b>	<b>(13 weeks)</b>	<b>(26 weeks)</b>	<b>(26 weeks)</b>
Anti-dilutive options and warrants	475,709	678,115	479,684	663,778

**5. Unredeemed Gift Card Income**

Sales of gift cards are recorded as a liability included within accrued expenses and other current liabilities in the Consolidated Balance Sheets. As the gift cards are redeemed for merchandise, the Company records revenue. Over time, some portion of the gift cards issued is not redeemed. Beginning with the second quarter of fiscal 2006, the liability balance is adjusted to recognize estimated unredeemed amounts under the redemptive recognition method. This method records gift card breakage as additional sales on a proportional basis over the redemption period based on historical redemption trends. Upon adoption of this method of accounting, the Company's net sales included an adjustment of \$2.0 million to reduce gift card liabilities for estimated unredeemed amounts as of the beginning of the second quarter of fiscal 2006.

**6. Recent Accounting Pronouncements**

In June 2006, the Financial Accounting Standards Board ( FASB ) issued Interpretation No. 48 ( FIN 48 ), *Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109*. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with FASB Statement No. 109, *Accounting for Income Taxes*. FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. FIN 48 is effective for fiscal years beginning after December 15, 2006. The Company is in the process of determining the impact that the adoption of FIN 48 will have on its financial position and results of operations.

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In June 2006, the FASB ratified the consensus of Emerging Issues Task Force ( EITF ) Issue No. 06-3, *How Taxes Collected from Customers and Remitted to Governmental Authorities Should Be Presented in the Income Statement* ( EITF 06-3 ). EITF 06-3 indicates that the income statement presentation on either a gross basis or a net basis of the taxes within the scope of the issue is an accounting policy decision. The Company's accounting policy is to present the taxes within the scope of EITF 06-3 on a net basis. The adoption of EITF 06-3 in the first fiscal quarter of 2007 did not result in a change to the Company's accounting policy and, accordingly, did not have a material effect on the Company's consolidated financial statements.

### **7. Commitments and Contingencies**

From time to time, the Company may be involved in litigation relating to claims arising out of its operations. As of the date of this filing, the Company is not engaged in any legal proceedings that are expected, individually or in the aggregate, to have a material adverse effect on the Company's business, financial condition or results of operations.

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**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

**FORWARD-LOOKING STATEMENTS**

We have made statements in this quarterly report on Form 10-Q that are forward-looking statements. You can identify these statements by forward-looking words such as anticipate, believe, continue, could, estimate, expect, forecast, intend, may, possible, potential, and will, or other similar words, phrases or expressions. We have based these forward-looking statements on our current expectations and projections about future events. Statements and financial discussion and analysis contained in this quarterly report on Form 10-Q that are not historical facts are forward-looking statements. These statements discuss goals, intentions and expectations as to future trends, plans, events, results of operations or financial condition, or state other information relating to us, based on our current beliefs as well as assumptions made by us and information currently available to us. Although we believe these forward-looking statements are reasonable, they are based upon a number of assumptions concerning future conditions, any or all of which may ultimately prove to be inaccurate.

Important factors that could cause actual results to differ materially from the forward-looking statements include, without limitation: the risks described under the heading "Risk Factors" in this quarterly report on Form 10-Q; changes in consumer demand; changes in consumer fashion taste; and changes in business strategies and decisions. The factors identified above are believed to be important factors (but not necessarily all of the important factors) that could cause actual results to differ materially from those expressed in any forward-looking statement. Unpredictable or unknown factors could also have material adverse effects on us. Because these forward-looking statements involve risks and uncertainties, there are important factors that could cause actual results to differ materially from those expressed or implied by these forward-looking statements, including shopping mall traffic and shopping patterns, timing of openings for new shopping malls or our stores, fashion trends, national or regional economic influences, and weather. All forward-looking statements included in this quarterly report on Form 10-Q are expressly qualified in their entirety by the foregoing cautionary statements.

Except as required under the federal securities laws and rules and regulations of the Securities and Exchange Commission, or SEC, we undertake no obligation to update, amend or clarify forward-looking statements, whether as a result of new information, future events or otherwise.

**Table of Contents****RESULTS OF OPERATIONS**

Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with our Consolidated Financial Statements and Notes thereto included elsewhere in this quarterly report on Form 10-Q. The following table sets forth our operating results, expressed as a percentage of net sales, and Charlotte Russe store numbers for the periods indicated. These operating results are not necessarily indicative of the results that may be expected for any future period.

The extra 53<sup>rd</sup> week in fiscal 2006 caused a 1-week shift in our 2007 fiscal calendar, referred to as the Retail Calendar Shift, resulting in the end of the first three fiscal quarters of 2007 being shifted forward one week relative to their ending dates last year. Due to seasonal influences near the quarter end dates, year-over-year comparisons during fiscal 2007 are impacted by the Retail Calendar Shift. This was most significant during the first and second quarters of fiscal 2007. For example, the robust selling week between Christmas and New Year's Day was included in the first quarter of fiscal 2007; whereas, the same week had been included in the second quarter last year. The impact of the Retail Calendar Shift on comparisons of sales, gross profit and operating margins between these two quarters and prior year results should be taken into consideration; and, year-to-date comparisons may provide more meaningful information.

	Three Months Ended		Six Months Ended	
	March 31, 2007	March 25, 2006	March 31, 2007	March 25, 2006
Net sales	100.0%	100.0%	100.0%	100.0%
Cost of goods sold	75.0	74.3	73.0	73.3
Gross profit	25.0	25.7	27.0	26.7
Selling, general and administrative expenses	22.4	20.1	20.0	19.5
Operating income	2.6	5.6	7.0	7.2
Interest income, net	0.9	0.4	0.7	0.3
Other charges, net		(0.1)		(0.0)
Income from continuing operations before income taxes	3.5	5.9	7.7	7.5
Income taxes	1.1	2.3	2.9	3.0
Income from continuing operations	2.4	3.6	4.8	4.5
Loss on discontinued operations		(11.4)		(6.0)
Net income (loss)	2.4%	(7.8)%	4.8%	(1.5)%
Charlotte Russe stores open at end of period	395	354	395	354

**Three Months Ended March 31, 2007 Compared to the Three Months Ended March 25, 2006**

*Net Sales.* Our net sales increased to \$161.1 million from \$153.7 million, an increase of \$7.4 million, or 4.8%, over the same quarter last year. This increase reflects the impact of a 4.8% increase in comparable store sales which was calculated against prior year sales that have been adjusted to align with comparable weeks this year. In addition, it reflects the contribution of additional net sales from 3 net store openings (net of 3 closures) during the quarter ended March 31, 2007, as well as other stores opened in prior fiscal periods that did not qualify as comparable stores. We estimate that the Retail Calendar Shift negatively impacted the second quarter net sales by about \$9.0 million, and overall sales would

have increased 10.7% had it not been for the Retail Calendar Shift.

*Gross Profit.* Gross profit represents net sales less cost of goods sold, which includes buying, distribution and occupancy costs. Our gross profit increased to \$40.3 million from \$39.6 million, an increase of \$0.7 million, or 2.0%, from the same quarter last year. This increase in amount was primarily due the result of higher net sales offset by the sales impact of the calendar shift noted above and the non-recurring \$2.0 million cumulative

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adjustment for unredeemed gift card liabilities during the second quarter last year. As a percentage of net sales, gross profit decreased to 25.0% from 25.7%, or 0.7 percentage points, from the same quarter last year. The decrease in gross profit as a percentage of net sales was principally due to increased store rent and occupancy costs (2.3 percentage point impact), inclusive of the impact of the calendar shift noted above which caused these expenses to be spread over a lower average store sales volume, last year's non-recurring gift card liability adjustment (1.3 percentage point impact), higher shrinkage expense (0.9 percentage point impact), higher buying department expenses (0.3 percentage point impact) and other factors (0.1 percentage point impact). These unfavorable factors were partially offset by higher initial mark-up (2.3 percentage point impact) and reduced markdown expense (1.9 percentage point impact).

*Selling, General and Administrative Expenses.* Our selling, general and administrative expenses increased to \$36.1 million from \$31.0 million, an increase of \$5.1 million, or 16.6%, over the same quarter last year. This increase in amount was attributable to new store expansion and increased corporate expenses, specifically higher store payroll and operating expenses and higher central office payroll and related expenses. As a percentage of net sales, selling, general and administrative expenses increased to 22.4% from 20.1%, or 2.3 percentage points, from the same quarter last year. The increase in expenses as a percentage of net sales was principally due to increased store compensation and home office expenses (1.9 percentage point impact), inclusive of the impact of the calendar shift noted above which caused these expenses to be spread over a lower average store sales volume, higher store operating expenses (0.3 percentage point impact) and other factors (0.1 percentage point impact).

*Income Taxes.* Our effective tax rate of 39.4% for fiscal 2007 approximates our statutory income tax rate and is less than the 39.7% rate utilized in the same quarter last year due to the anticipation of lower state income tax rates than reflected in last year's accruals. In that regard, we made a \$0.4 million adjustment to this quarter's expense for the over-accrual of state income tax expense during fiscal 2006 that was identified upon filing our various fiscal 2006 state tax returns in 2007.

*Income from Continuing Operations.* Our income from continuing operations decreased to \$3.8 million from \$5.5 million, a decrease of \$1.7 million, or 30.2%, from the same quarter last year. The decrease was primarily due to the \$2.0 pre-tax cumulative adjustment for unredeemed gift card liabilities during the second quarter last year and the impact of the calendar shift noted above. As a result, the growth of gross profit was more than offset by the growth of selling, general and administrative expenses. The net unfavorable impact of these factors was partially offset by reduced income tax expense.

*Loss on Discontinued Operations.* As a result of their disposition in fiscal 2006, our Rampage stores met the criteria to be classified as discontinued operations as defined by generally accepted accounting principles. We incurred a net loss of \$17.5 million in the second quarter of fiscal 2006 which included a \$22.5 million pre-tax impairment charge. Due to the disposition of these stores prior to the beginning of fiscal 2007, no such losses were incurred in the second quarter of fiscal 2007.

**Six Months Ended March 31, 2007 Compared to the Six Months Ended March 25, 2006**

*Net Sales.* Our net sales increased to \$370.3 million from \$332.2 million, an increase of \$38.1 million, or 11.5%, over the same period last year. This increase reflects \$28.6 million of additional net sales from 8 net store openings (net of 3 closures) during the first six months of fiscal 2007 and net sales from stores opened in prior fiscal years that did not qualify as comparable stores. The increase in net sales also benefited from a 3.1% increase in comparable store sales, adjusted to align with comparable weeks last year, which resulted in additional sales of \$9.5 million compared to the same period last year.

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*Gross Profit.* Gross profit represents net sales less cost of goods sold, which includes buying, distribution and occupancy costs. Our gross profit increased to \$100.0 million from \$88.6 million, an increase of \$11.4 million, or 13.0%, over the same period last year. This increase in amount was primarily the result of higher net sales. As a percentage of net sales, gross profit increased to 27.0% from 26.7%, or 0.3 percentage points, from

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the same period last year. Gross profit as a percentage of net sales reflected higher initial mark-up (1.5 percentage point impact) and reduced markdown expense (0.7 percentage point impact). These favorable factors were offset by last year's gift card liability adjustment (0.6 percentage point impact), increased store rent and occupancy costs (0.6 percentage point impact), higher freight costs (0.3 percentage point impact), higher shrinkage expense (0.3 percentage point impact) and other factors (0.1 percentage point impact).

*Selling, General and Administrative Expenses.* Our selling, general and administrative expenses increased to \$74.0 million from \$64.6 million, an increase of \$9.4 million, or 14.7%, over the same period last year. This increase in amount was attributable to new store expansion and increased corporate expenses, specifically higher store payroll and operating expenses and higher central office payroll and related expenses. As a percentage of net sales, selling, general and administrative expenses increased to 20.0% from 19.5%, or 0.5 percentage points, from the same period last year. The increase in expenses as a percentage of net sales was principally due to higher store payroll and related expenses (0.4 percentage point impact) and higher store operating expenses (0.2 percentage point impact), offset by other factors (0.1 percentage point impact).

*Income Taxes.* Our effective tax rate of 39.4% for fiscal 2007 approximates our statutory income tax rate and is less than the 39.7% rate utilized in the same quarter last year due to the anticipation of lower state income tax rates than reflected in last year's accruals. In that regard, we made a \$0.4 million adjustment to fiscal 2007 expenses for the over-accrual of state income tax expense during fiscal 2006 that was identified upon filing our various fiscal 2006 state tax returns in fiscal 2006.

*Income from Continuing Operations.* Our income from continuing operations increased to \$17.7 million from \$15.0 million, an increase of \$2.7 million, or 18.6%, over the same period last year. The increase was primarily due to an increase in gross profit which was partially offset by an increase in selling, general and administrative expenses and income taxes.

*Loss on Discontinued Operations.* As a result of their disposition in fiscal 2006, our Rampage stores met the criteria to be classified as discontinued operations as defined by generally accepted accounting principles. We incurred a net loss of \$20.0 million in the first six months of fiscal 2006 which included a \$22.5 million pre-tax impairment charge. Due to the disposition of these stores prior to the beginning of fiscal 2007, no such losses were incurred in the first six months of fiscal 2007.

**LIQUIDITY AND CAPITAL RESOURCES**

Our working capital requirements vary consistent with the seasonality of our business. Our capital requirements result primarily from capital expenditures related to new store openings, remodels and information system implementations. We have historically satisfied our cash requirements principally through cash flow from operations. Due to the rapid turnover of our inventory, we generate trade payables and other accrued liabilities sufficient to offset most of our working capital requirements, and this allows us to generally operate with limited working capital investment. As of March 31, 2007, we had working capital of approximately \$113.2 million which included cash and cash equivalents of \$98.2 million.

The following chart provides a summary of our sources and uses of cash during the first six months of fiscal 2007 and 2006:

Six Months Ended	
March 31, 2007	March 25, 2006



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	(26 weeks)	(26 weeks)
Net cash provided by operating activities	\$ 28,646,966	\$ 28,912,704
Net cash used in investing activities	(30,042,692)	(13,531,365)
Net cash provided by financing activities	9,379,661	3,570,691
Change in cash position	\$ 7,983,935	\$ 18,952,030

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During the first six months of fiscal 2007, our net cash provided by operations decreased \$0.3 million over the same period of the prior fiscal year due to a \$6.6 million increase in working capital primarily associated with increased prepaid rents which was partially offset by a \$2.8 million increase in income from continuing operations, a \$0.8 million improvement of other factors and a \$3.0 million improvement in cash provided from discontinued operations as a result of disposing of the Rampage assets. Net cash used in investing activities primarily consists of capital expenditures. It increased \$16.5 million during the first six months of fiscal year 2007 as a result of increased capital spending associated with implementation of the new point-of-sale systems to our stores, funding for 17 remodeled stores (compared to 2 remodeled stores in the same period of the prior fiscal year), opening of 11 new stores (compared to 14 new stores in the same period of the prior fiscal year), and increased investments in our information systems and other corporate projects. Net cash provided from financing activities primarily consists of cash and income tax benefits associated with stock option and warrant exercises offset by securities offering costs paid by us. It increased \$5.8 million in the first six months of fiscal 2007 due to a greater number of stock option exercises during the period.

We expect to continue to invest in capital expenditures to support our growth. After taking into account new store construction, existing store remodeling and other corporate capital projects, total capital expenditures for fiscal 2007 are projected to range from approximately \$65.0 million to \$75.0 million.

We currently have a \$40.0 million secured revolving credit facility, referred to as the Credit Facility, with Bank of America, N.A., which expires on June 30, 2010. Under the terms of the Credit Facility, we may borrow up to the maximum borrowing limit of \$40.0 million less any outstanding letters of credit, and we have set the initial loan ceiling amount at \$30.0 million. Interest on the Credit Facility is payable quarterly, at our option, at either (i) the Bank's prime rate plus 0.50% to 1.00% or (ii) 1.00% to 1.50% over the average interest settlement rate for deposits in the London interbank market banks subject to certain adjustments. Our ability to receive loan advances under the Credit Facility is subject to our continued compliance with various covenants, representations and warranties, and conditions, including but not limited to negative covenants against the incurrence of debt or liens. The Credit Facility also contains events of default customary for facilities of this type and provides that, upon the occurrence of an event of default, payment of all outstanding loans may be accelerated and/or the lenders' commitments may be terminated. Pursuant to this agreement, we and our wholly-owned subsidiaries have (i) provided an unconditional guarantee of the full and punctual payment of obligations under the Credit Facility, (ii) pledged certain of our securities to the collateral agent as security for the full payment and performance of our obligations under the Credit Facility and (iii) granted a security interest in essentially all of our personal property as security for the full payment and performance of our obligations under the Credit Facility. At March 31, 2007, there was no outstanding debt under the Credit Facility and we were in compliance with the terms of the bank credit agreement. As of March 31, 2007, we had \$25.4 million of borrowing availability under the Credit Facility.

We believe that our cash flows from operations, our current cash balance and the funds available under our Credit Facility will be sufficient to meet our working capital needs and contemplated capital expenditure requirements through fiscal 2007. If our cash flow from operations should decline significantly, it may be necessary for us to seek additional sources of capital or to reduce planned new store openings.

**LETTERS OF CREDIT**

Pursuant to the terms of the Credit Facility, we can issue up to \$20.0 million of documentary or standby letters of credit. The outstanding commitments under the Credit Facility at March 31, 2007 totaled approximately \$4.6 million, including \$2.2 million in standby letters of credit.

**Table of Contents****CONTRACTUAL AND COMMERCIAL OBLIGATIONS**

Our commitment to make future payments under long-term contractual obligations and commercial obligations as of March 31, 2007 was as follows:

	Total	Less Than			After
		1 Year	1-3 Years (in thousands)	3-5 Years	5 Years
<b>Contractual Obligations</b>					
Operating leases	\$ 447,019	\$ 68,735	\$ 134,918	\$ 114,819	\$ 128,547
Other obligations	30,686	30,686			
	\$ 477,705	\$ 99,421	\$ 134,918	\$ 114,819	\$ 128,547
<b>Commercial Obligations</b>					
Documentary letters of credit	\$ 2,422	\$ 2,422	\$	\$	\$
Standby letters of credit	2,222	2,222			
	\$ 4,644	\$ 4,644	\$	\$	\$

During fiscal 2006, we sold lease rights for 43 locations that were formerly operated as Rampage stores to Forever 21 Retail, Inc., and its parent company guaranteed its obligations under the leases it assumed. In the event of default, we could be liable for obligations associated with 39 real estate leases which have future lease payments (undiscounted) of approximately \$50.8 million through the end of fiscal 2016 which are not reflected in the tables above. The scheduled future minimum rentals for these leases over fiscal years 2007, 2008, 2009, 2010, 2011 and thereafter are \$9.1 million, \$8.5 million, \$8.6 million, \$8.2 million, \$7.1 million and \$9.3 million, respectively. We believe that the likelihood of material liability being triggered under these leases is remote, and no liability has been accrued for these contingent lease obligations as of March 31, 2007.

**CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

Management's Discussion and Analysis of Financial Condition and Results of Operations discusses our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, as well as revenues and expenses during the reported periods.

As a retailer of women's apparel and accessories, our financial statements are affected by several critical accounting policies, many of which affect management's use of estimates and judgments, as described in the notes to the consolidated financial statements.

On an on-going basis, management evaluates its estimates and judgments regarding revenues, inventories, long lived assets, intangible assets, accrued liabilities, stock based compensation, self-insurance programs, income taxes and contingencies and litigation. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances. The

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results from this evaluation form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Under different assumptions or conditions, alternative estimates and judgments could be derived which would differ from the estimates being used by management. Actual results could differ from any or all of these estimates.

### **Revenue**

We sell merchandise directly to retail customers and recognize revenue at the point of sale. Customers have the right to return merchandise to us, and we maintain a reserve for the financial impact of returns which occur subsequent to the current reporting period.

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Our policy with respect to gift cards is to record revenue as the gift cards are redeemed for merchandise. Prior to their redemption, unredeemed gift cards are recorded as a liability and are included within other current liabilities. Beginning with the second quarter of fiscal 2006, we adjust the gift card liability balances on a quarterly basis to recognize estimated unredeemed amounts under the redemptive recognition method. This method records gift card breakage as additional sales on a proportional basis over the redemption period based on historical redemption trends. Such adjustments are included in net sales and operating income.

## **Inventory**

Our merchandise is initially offered for sale at a regular price, but is often marked down prior to the ultimate sale of all units that were purchased. We utilize the retail method of accounting for our inventory valuation, which inherently reduces the inventories' carrying value as permanent markdowns are initiated. In addition, we maintain a reserve for the financial impact of markdowns that we believe are likely to be encountered in the future. If actual demand or market conditions are more or less favorable than those projected by management, the level of the reserve for future markdowns would be subject to change in subsequent reporting periods.

We also provide for estimated inventory losses for damaged, lost or stolen inventory for the period from the last physical inventory to the financial statement date. These estimates are based on historical experience and other factors.

We receive certain allowances from our vendors primarily related to distribution center handling expenses or defective merchandise. These allowances are reflected as a reduction of merchandise inventory in the period they are received and allocated to cost of sales during the period in which the items were sold.

## **Goodwill and Long-lived Assets**

We have recorded a goodwill asset of \$32.9 million that arose from the acquisition of our business in September 1996. Subsequent amortization of \$4.1 million reduced its carrying value to \$28.8 million. This asset is tested for possible impairment on at least an annual basis in accordance with Statement of Financial Accounting Standards, or SFAS, No. 142, *Goodwill and Other Intangibles*, utilizing discounted cash flow valuation techniques and reference to the market value of our outstanding common stock. No impairment adjustments have been required to date. In accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long-lived Assets*, we assess the impairment of long-lived assets whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors considered important that could trigger an impairment review include a significant underperformance relative to historical or projected future operating results, a significant change in the manner of the use of the asset or a significant negative industry or economic trend. Upon determining that the carrying value of long-lived assets may not be recoverable based upon the existence of one or more of the above indicators of impairment, we estimate the future cash flows expected to result from the use of the assets.

Based upon a review of the carrying value of the long-lived assets of the Rampage stores compared with the estimated future discounted and non-discounted cash flows from the operations of the Rampage stores, we recorded a non-cash impairment charge of \$22.5 million in the second quarter of fiscal 2006. This resulted from our unsuccessful efforts to reposition the 64 Rampage stores and the significant deterioration in financial results during the second quarter of fiscal 2006. This charge represented a write down of substantially all of the carrying value of the Rampage long-lived assets.

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We sold the lease rights, store fixtures and equipment associated with 43 Rampage store locations during the fourth quarter of fiscal 2006. Of the remaining 21 Rampage stores in operation at the beginning of the fourth quarter, we converted eight stores into Charlotte Russe locations and returned 13 properties back to their respective landlords prior to the end of fiscal 2006.

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### **Operating Leases**

We record rent expense on noncancellable leases containing known future scheduled rent increases on a straight-line basis over the respective leases beginning when we receive possession of the leased property for construction purposes. The difference between rent expense and rent paid is accounted for as deferred rent. Landlord construction allowances and other such lease incentives are recorded as deferred lease credits, and are amortized on a straight-line basis over the life of the lease as a reduction to rent expense.

### **Stock Based Compensation**

We estimate the fair value of stock options granted using the Black-Scholes option-pricing formula and a multiple option award approach. This fair value is then amortized over the requisite service periods of the awards. This option-pricing model requires the input of highly subjective assumptions, including the option's expected life, price volatility of the underlying stock, risk free interest rate and expected dividend rate. As stock-based compensation expense is based on awards ultimately expected to vest, it has been reduced for estimated forfeitures. SFAS No. 123(R), *Share-Based Payment*, requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. Forfeitures were estimated based on historical experience.

### **Self-Insurance Liabilities**

Based on our assessment of risk and cost efficiency, we self-insure and purchase insurance policies to provide for workers' compensation, employee group medical benefits, general liability, property losses and director's and officer's liability. We estimate risks and record a liability based upon historical claim experience, insurance deductibles, severity factors and other actuarial assumptions. While we believe that our risk assessments are appropriate, to the extent that future occurrences and claims differ from our historical experience, additional charges for insurance may be recorded in future periods.

### **Income Taxes**

We account for income taxes using the liability method as prescribed by SFAS No. 109, *Accounting for Income Taxes*. Deferred tax assets and liabilities are recognized based on the differences between the financial statement carrying value of existing assets and liabilities and their respective tax bases. Inherent in the measurement of these deferred balances are certain judgments and interpretations of existing tax law and other published guidance. No valuation allowance has been provided for deferred tax assets, since we anticipate that the full amount of these assets should be realized in the future. Our effective tax rate considers our judgment of expected tax liabilities in the various taxing jurisdictions within which we are subject to tax. The recorded amounts of income tax are subject to adjustment upon audit, changes in interpretation and changes in judgment utilized in determining estimates.

### **Off-Balance Sheet Arrangements**

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As of March 31, 2007, we did not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. In addition, we do not engage in trading activities involving non-exchange traded contracts. As such, we are not materially exposed to any financing, liquidity, market or credit risk that could arise if we had engaged in these relationships.

### **RECENT ACCOUNTING PRONOUNCEMENTS**

Information with respect to recent accounting pronouncements is incorporated by reference to Note 6 to our consolidated financial statements for the period ended March 31, 2007, on page 8.



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**ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Our market risks relate primarily to changes in interest rates. We bear this risk in two specific ways. First, the Credit Facility carries a variable interest rate that is tied to market indices and, therefore, our statements of operations and our cash flows will be exposed to changes in interest rates. As of March 31, 2007, we had no borrowings against the Credit Facility. However, we may borrow funds under the Credit Facility as needed.

The second component of interest rate risk involves the short-term investment of excess cash in short-term, investment-grade interest-bearing securities. These investments are considered to be cash equivalents and are shown that way on our balance sheet. If there are changes in interest rates, those changes would affect the investment income we earn on these investments and, therefore, impact our cash flows and results of operations.

We believe our market risk exposure is minimal.

**ITEM 4. CONTROLS AND PROCEDURES**

**Disclosures Controls and Procedures**

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of our disclosure controls and procedures as such item is defined under Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, or the Exchange Act. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of March 31, 2007 to provide reasonable assurance that information required to be disclosed in our reports under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

**Changes in Internal Control Over Financial Reporting**

During our fiscal quarter ended March 31, 2007, there has been no change in our internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting.

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**PART II OTHER INFORMATION**

**ITEM 1. LEGAL PROCEEDINGS**

From time to time, we may be involved in litigation relating to claims arising out of our operations. As of the date of this filing, we are not engaged in any legal proceedings that are expected, individually or in the aggregate, to have a material adverse effect on our business, financial condition or results of operations.

**ITEM 1A. RISK FACTORS**

You should consider carefully the following information about the risks described below, together with the other information contained in this quarterly report on Form 10-Q and in our other filings with the SEC, before you decide to buy or maintain an investment in our common stock. We believe the risks described below are the risks that are material to us as of the date of this quarterly report. If any of the following risks actually occur, our business, financial condition, results of operations and future growth prospects would likely be materially and adversely affected. In these circumstances, the market price of our common stock could decline, and you may lose all or part of the money you paid to buy our common stock. The risks set forth below with an asterisk (\*) next to the title include certain substantive revisions to the risks set forth in our annual report on Form 10-K for the fiscal year ended September 30, 2006 and our subsequent filings with the SEC.

**RISKS RELATING TO OUR BUSINESS**

*Our success depends on our ability to identify and rapidly respond to consumer fashion tastes.*

The fashion retail industry is subject to rapidly evolving fashion trends and shifting consumer demands. Accordingly, our success is heavily dependent both on the priority our target customers place on fashion and on our ability to anticipate, identify and capitalize upon emerging fashion trends in a timely manner. Current fashion tastes place significant emphasis on a fashionable look. In the past this emphasis has increased and decreased through fashion cycles and decreased emphasis has adversely affected our results. If we do not anticipate, identify or react appropriately and timely to changes in styles, trends, desired images or brand preferences, it may lead to, among other things, excess inventories and higher markdowns, as well as decreased appeal of our Charlotte Russe brand.

*We intend to continue to open new stores, which could strain our resources and cause us to operate our business less effectively.*

Our growth will largely depend on successfully opening and operating new stores. During fiscal 2006, we opened 40 new Charlotte Russe stores, closed three stores and converted eight Rampage stores into Charlotte Russe locations. This represented a 13.2% net increase from the number of Charlotte Russe stores open at the end of fiscal 2005. We intend to continue to increase our number of stores for at least the next several years.

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In order to support our planned expansion we will need to continually monitor and upgrade our management information and other systems. This expansion also will place increased demand on our managerial, operational, and administrative resources. These increased demands and operating complexities could cause us to operate our business less effectively, which in turn could cause deterioration in the financial performance of our individual stores and our company as a whole and slow our new store growth.

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*Our planned expansion involves a number of risks that could prevent or delay the successful opening of new stores as well as impact the performance of our existing stores.*

Our ability to open and operate new stores successfully depends on many factors, including, among others, our ability to:

identify suitable store locations, the availability of which is outside of our control;

negotiate acceptable lease terms, including desired tenant improvement allowances;

source sufficient levels of inventory to meet the needs of new stores;

hire, train and retain store personnel;

successfully integrate new stores into our existing operations; and

identify and satisfy the fashion preferences of new geographic areas.

In addition, some of our new stores will be opened in regions of the United States in which we currently have few or no stores. The expansion into new markets may present competitive, merchandising and distribution challenges that are different from those currently encountered in our existing markets. Any of these challenges could adversely affect our business and results of operations. In addition, to the extent our new store openings are in existing markets, we may experience reduced net sales volumes in existing stores in those markets.

*A decline in general economic conditions may lead to reduced consumer demand for our apparel and accessories.*

Consumer spending habits, including spending for the fashionable apparel and related accessories that we sell, are affected by, among other things, prevailing economic conditions, levels of employment, salaries and wage rates, consumer confidence and consumer perception of economic conditions. A general slowdown in the United States economy and an uncertain economic outlook could adversely affect consumer spending habits and mall traffic, which could result in lower net sales than expected and could cause us to slow our expansion plans.

*Our stores are heavily dependent on the customer traffic generated by shopping malls.*

Most of our store locations are not sufficiently concentrated to make significant marketing expenditures cost effective. As a result, we depend heavily on locating our stores in prominent locations within successful shopping malls in order to generate customer traffic. We cannot control the development of new shopping malls, the availability or cost of appropriate locations within existing or new shopping malls or the success of

individual shopping malls.

***Our market share may be adversely impacted at any time by a significant number of competitors.***

We operate in a highly competitive environment characterized by low barriers to entry. We compete against a diverse group of retailers, including national and local specialty retail stores, regional retail chains, traditional department stores and, to a lesser extent, mass merchandisers. Our market share and results of operations may be adversely impacted by this significant number of competitors. Many of our competitors also are larger and have substantially greater resources than we do.

***We rely on our good relationships with vendors to implement our business strategy successfully.***

Our business is dependent on continued good relations with our vendors. In particular, we believe that we generally are able to obtain attractive pricing and other terms from vendors because we are perceived as a desirable customer. Our merchandise strategy also relies in large part on our ability to obtain much of our merchandise from our vendors within one to two months from the date of order. Our failure to maintain good relations with our vendors could increase our exposure to changing fashion cycles, which may in turn lead to increased inventory markdown rates.

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*If at any time our comparable store sales and quarterly results of operations decline or do not meet the expectations of research analysts, the price of our common stock could decline substantially.*

Our quarterly results of operations for our stores have fluctuated in the past and can be expected to continue to fluctuate in the future. For instance, our quarterly comparable store sales percentages have ranged as high as positive 21.0% and as low as negative 6.6% over the last 10 fiscal quarters and we expect low single-digit comparable store sales percentage increases during the third quarter of fiscal 2007. Our net sales and operating results are typically lower in the second quarter of our fiscal year due to the traditional retail slowdown immediately following the winter holiday season. In addition, the calendar shift caused by having a 53<sup>rd</sup> week in fiscal 2006 had the effect of transferring the week between Christmas and New Year's Day into the first quarter of fiscal 2007, which increased our net sales in the first quarter of fiscal 2007, but negatively impacted our net sales during the second quarter of fiscal 2007. Our comparable store sales and quarterly results of operations are affected by a variety of factors, including:

the timing of new store openings and the relative proportion of new stores to mature stores;

fashion trends;

calendar shifts of holiday or seasonal periods;

our ability to maintain appropriate inventory levels;

changes in our merchandise mix;

timing of promotional events;

general economic conditions and, in particular, the retail sales environment;

actions by competitors or mall anchor tenants; and

weather conditions.

*We rely on our management team to implement our business strategy successfully.*

Our success depends to a significant extent upon the continued services of our key personnel, including senior management, who are at will employees and have made a significant contribution to our business. If any of our key personnel were to leave us, such a loss could reduce future sales, increase costs or both. Our success in the future will also depend upon our ability to attract, train and retain talented and qualified personnel.

*The failure to efficiently complete the planned replacement of certain of our technology and information systems could negatively impact our business. (\*)*

The efficient operation of our business is heavily dependent on information systems. In particular, we rely upon technology and information systems for inventory control, point-of-sale processing and other critical information. We periodically review, improve and, under certain circumstances, replace information systems to provide enhanced support to all operating areas. We are in the process of installing an upgraded point-of-sale system at each of our stores which we expect will be completed prior to the end of fiscal 2007. If such upgrades and enhancements to the point-of-sale system, or any other systems, are not successfully implemented, then the current systems may not be able to continue to adequately support our information requirements.

*The loss of, or disruption of operations in, either of our two distribution centers could negatively impact our business.*

Our merchandise is distributed through two facilities that use automated systems for sorting apparel and shipping merchandise. We depend on the orderly operation of our facilities and distribution processes, as well as sufficient shipping resources. Disruptions in these operations due to fire, earthquake or other catastrophic events, employee matters, shipping problems or other events could result in delays in the delivery of merchandise to our stores.

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### ***The effects of war or acts of terrorism could adversely affect our business.***

The continued threat of terrorism, heightened security measures and military action in response to acts of terrorism has disrupted commerce and has intensified concerns regarding the United States economy. Any further acts of terrorism, particularly directed at malls, or new or extended hostilities may disrupt commerce and undermine consumer confidence, which could negatively impact our sales by causing mall traffic or consumer spending to decline.

### ***Failure of our suppliers to use acceptable ethical business practices could negatively impact our business.***

We require our suppliers to operate in compliance with applicable laws, rules and regulations regarding working conditions, employment practices, environmental compliance and trademark and copyright licensing. However, we do not control their labor and other business practices. If one of our suppliers violate labor or other laws or implements labor or other business practices that are regarded as unethical, the shipment of finished products to us could be interrupted, orders could be canceled, relationships could be terminated and our reputation could be damaged. If one of our suppliers fails to procure necessary license rights to trademarks, copyrights or patents, legal action could be taken against us that could impact the salability of our inventory and expose us to financial obligations to a third party. Any of these events could have a material adverse effect on our sales and results of operations.

### ***Our business could be adversely impacted by unfavorable international conditions.***

We receive apparel and other merchandise from foreign sources, both purchased directly in foreign markets and indirectly through domestic vendors with foreign sources. To the extent that any of our vendors are located overseas or rely on overseas sources for a large portion of their products, any event causing a disruption of imports, including the imposition of import restrictions, could harm our ability to source product. This disruption could materially limit the merchandise that we would have available for sale and reduce our revenues and earnings. The flow of merchandise from our vendors could also be adversely affected by financial or political instability, or war, in or affecting any of the countries in which the goods we purchase are manufactured or through which they flow.

Trade restrictions in the form of tariffs or quotas, or both, that are applicable to the products that we sell also could affect the import of those products and could increase the cost and reduce the supply of products available to us. Any material increase in tariff levels, or any material decrease in quota levels or available quota allocation, could negatively impact our business. Further, changes in tariffs or quotas for merchandise imported from individual foreign countries could lead us to shift our sources of supply among various countries. Any shift we might undertake in the future could result in a disruption of our sources of supply and lead to a reduction in our revenues and earnings. Supply chain security initiatives undertaken by the United States government that impede the normal flow of product could also negatively impact our business.

### ***We may be liable for any defaults with respect to the leases for our recently disposed Rampage stores.***

We recently sold the lease rights, store fixtures and equipment for 43 Rampage store locations to Forever 21 Retail, Inc., and Forever 21, Inc., the parent company of Forever 21 Retail, guaranteed Forever 21 Retail's obligations under the leases that it assumed in connection with the transaction. In the event Forever 21 Retail or Forever 21 defaults on their obligations under certain of these leases or the guarantee, we may be liable for any damages or costs associated with such a default, which could adversely impact our future results.



**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

Not applicable.

**Table of Contents****Dividends**

We have never declared nor paid dividends on our common stock and we do not intend to pay any dividends on our common stock in the foreseeable future. We currently intend to retain earnings to finance future operations and expansion. Moreover, under the terms of the Credit Facility, stock dividends and distributions are restricted.

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

Not applicable.

**ITEM 4. SUBMISSIONS OF MATTERS TO A VOTE OF SECURITY HOLDERS**

We held our Annual Meeting of Stockholders on February 14, 2007, during which seven directors were elected to our Board of Directors with 23,084,361 votes tendered, representing 91.2% of the 25,311,364 shares eligible to vote. Individual vote totals were as follows:

<b>Name of Director</b>	<b>Votes For</b>	<b>Votes Withheld</b>
Paul R. Del Rossi	21,883,075	1,201,286
Mark A. Hoffman	22,180,615	903,746
Allan W. Karp	20,276,799	2,807,562
Leonard H. Mogil	20,892,808	2,191,553
Mark J. Rivers	22,349,622	734,739
Jennifer C. Salopek	22,055,482	1,028,879
Bernard Zeichner	21,171,476	1,912,885

In addition, a proposal to amend our Amended and Restated Bylaws to permit our Board of Directors to fix the authorized number of directors from time to time was approved having received 22,352,922 favorable votes, representing 96.8% of the votes cast, and 731,439 votes against with 2,227,003 shares abstaining.

**ITEM 5. OTHER INFORMATION**

Not applicable.

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**ITEM 6. EXHIBITS**

- 3.1 Amended and Restated Bylaws of Charlotte Russe Holding, Inc.
- 10.1 Second Amendment to Employment Agreement by and between Charlotte Russe Holding, Inc. and Mark A. Hoffman dated February 14, 2007
- 31.1 Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 31.2 Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 32.1 Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- 32.2 Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this quarterly report on Form 10-Q to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of San Diego, State of California, on the 27<sup>th</sup> day of April, 2007.

CHARLOTTE RUSSE HOLDING, INC.

By: /s/ DANIEL T. CARTER  
**Daniel T. Carter**

**Executive Vice President and**

**Chief Financial Officer**