et interest expense	(356)	(168)	(524)
quity in the income of investees	545	36	581
come (loss) before income taxes and minority interests	7,472	(70)	7,402
come taxes	(2,673)	—	(2,673)
linority interests	(372)	70	(302)
et income	$ 4,427	$ —	$ 4,427

(1) These amounts include Euro Disney and Hong Kong Disneyland under the equity method of accounting. As such, royalty and management fee income from these operations is included in Revenues and our share of their net income/loss is included in Equity in the income of investees.

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The following table presents a condensed consolidating cash flow statement of the Company for the year ended September 27, 2008, reflecting the impact of consolidating the cash flow statements of Euro Disney and Hong Kong Disneyland.

	Before Euro Disney and Hong Kong Disneyland Consolidation	Euro Disney, Hong Kong Disneyland and Adjustments	Total
ash provided by operations	$ 5,206	$ 240	$ 5,446
vestments in parks, resorts, and other property	(1,438)	(140)	(1,578)
ther investing activities	(576)	(8)	(584)
ash used in financing activities	(3,950)	(3)	(3,953)
)ecrease) / increase in cash and cash equivalents	(758)	89	(669)
ash and cash equivalents, beginning of year	3,066	604	3,670
ash and cash equivalents, end of year	$ 2,308	$ 693	$ 3,001

Euro Disney Financial Restructuring

Effective October 1, 2004, Euro Disney, the Company, and Euro Disney's lenders finalized a Memorandum of Agreement (MOA) related to the financial restructuring of Euro Disney (the 2005 Financial Restructuring) which provided for new financing as well as the restructuring of Euro Disney's existing financing at that time. The transactions contemplated by the MOA were fully implemented on February 23, 2005 with the completion of a €253 million equity rights offering in which the Company invested €100 million. The MOA included the following provisions with respect to royalties and management fees payable by Euro Disney to the Company:

- Royalties and management fees for fiscal 2005 through fiscal 2009, totaling €25 million per year, payable to the Company are to be unconditionally deferred and converted into subordinated long-term borrowings

- Royalties and management fees for fiscal 2007 through fiscal 2014, of up to €25 million per year, are subject to conditional deferral and will be converted into subordinated long-term borrowings if operating results do not achieve specified levels. Royalties and management fees for fiscal 2007 subject to conditional deferral were not deferred and have been paid. Based on operating results and subject to third-party confirmation, the Company does not expect royalties and management fees subject to conditional deferral for fiscal 2008 to be deferred

Certain indirect, wholly-owned subsidiaries of The Walt Disney Company have liability as current or former general partners of Euro Disney Associés S.C.A.(Disney S.C.A.). In addition to their equity interest in Disney S.C.A., certain of these subsidiaries of the Company have been capitalized with interest-bearing demand notes with an aggregate face value of €200 million. In addition, interest has accrued on the notes from the date of issuance and has been added to the amount owed.

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6 *Film and Television Costs*

Film and Television costs are as follows:

	September 27, 2008	September 29, 2007
ıeatrical film costs		
eleased, less amortization	$ 1,444	$ 1,889
ompleted, not released	373	164
-process	1,430	912
development or pre-production	126	168
	3,373	3,133
elevision costs		
eleased, less amortization	789	804
ompleted, not released	396	295
-process	211	278
development or pre-production	16	10
	1,412	1,387
elevision broadcast rights	1,150	1,162
	5,935	5,682
ess current portion	541	559
on-current portion	$ 5,394	$ 5,123

Based on management's total gross revenue estimates as of September 27, 2008, approximately 83% of unamortized film and television costs for released productions (excluding amounts allocated to acquired film and television libraries) are expected to be amortized during the next three years. Approximately $572 million of accrued participation and residual liabilities will be paid in fiscal year 2009. The Company expects to amortize, based on current estimates, approximately $1.5 billion in capitalized film and television production costs during fiscal 2009.

At September 27, 2008, acquired film and television libraries have remaining unamortized costs of $391 million, which are generally amortized straight-line over a weighted-average remaining period of approximately 11 years.

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7 *Borrowings*

The Company’s borrowings at September 27, 2008 and September 29, 2007, including the impact of interest rate swaps designated as hedges, are summarized below:

	2008	2007	2008				
			Stated Interest Rate (1)	Interest rate and Cross-Currency Swaps (2)		Effective Interest Rate (3)	Swap Maturities
				Pay Floating	Pay Fixed		
›mmercial paper borrowings	**$ 1,985**	$ 2,686	2.07%	$ —	$ —	2.07%	
S. medium-term notes	**7,005**	6,340	5.52%	1,400	—	4.95%	2010-2018
›nvertible senior notes	**—**	1,323	—	—	—	—	
›ropean medium-term notes	**318**	163	3.21%	318	—	3.96%	2010-2013
her foreign currency denominated debt	**825**	328	2.50%	825	—	4.17%	
ıpital Cities/ABC debt	**178**	181	9.05%	—	—	8.80%	
.m financing	**248**	355	—	—	—	—	
her (4)	**374**	213	—	—	—	—	
	10,933	11,589	4.36%	2,543	—	4.12%	
.ro Disney (ED) and Hong Kong Disneyland (HKDL):							
) – CDC loans	**1,469**	1,418	5.15%	—	—	5.12%	
) – Credit facilities & other	**482**	568	8.28%	—	176	7.54%	2009
) – Other advances	**506**	490	3.23%	—	22	3.16%	2009
⟨DL – Senior and other borrowings	**1,249**	1,107	6.12%	—	174	6.21%	2009
	3,706	3,583	5.62%	—	372	5.54%	
›tal borrowings	**14,639**	15,172	4.68%	2,543	372	4.48%	
ss current portion	**3,529**	3,280			174		
›tal long-term borrowings	**$ 11,110**	$ 11,892		$ 2,543	$ 198		

(1) The stated interest rate represents the weighted-average coupon rate for each category of borrowings. For floating rate borrowings, interest rates are based upon the rates at September 27, 2008; these rates are not necessarily an indication of future interest rates.

(2) Amounts represent notional values of interest rate and cross-currency swaps as of September 27, 2008.

(3) The effective interest rate includes the impact of existing and terminated interest rate and cross-currency swaps on the stated rate of interest. Other adjustments to the stated interest rate such as purchase accounting adjustments and debt issuance costs did not have a material impact on the overall effective interest rate.

(4) Includes market value adjustments for debt with qualifying hedges totaling $202 million and $150 million at September 27, 2008 and September 29, 2007, respectively.

Commercial Paper

At September 27, 2008, the Company had $2.0 billion of commercial paper debt outstanding and bank facilities totaling $4.5 billion to support its commercial paper borrowings, with half of the facilities scheduled to expire in 2010 and the other half in 2011. These bank facilities allow for borrowings at LIBOR-based rates plus a spread, which depends on the Company's public debt rating and can range from 0.175% to 0.75%. The Company also has the ability to issue up to $800 million of letters of credit under the facility expiring in 2011, which if utilized, reduces available borrowing under this facility. As of September 27, 2008, $368 million of letters of credit had been issued, of which $240 million was issued under this facility, leaving total available borrowing capacity of nearly $4.2 billion under these bank facilities. The Company's bank facilities contain only one financial covenant, relating to interest coverage, which the Company met on September 27, 2008 by a significant margin. The Company's bank facilities also specifically exclude certain entities, including Euro Disney and Hong Kong Disneyland, from any representations, covenants, or events of default. As of September 27, 2008, the Company had not borrowed against the facilities.

Shelf Registration Statement

At September 27, 2008, the Company had a shelf registration statement which allows the Company to issue various types of debt instruments, such as fixed or floating rate notes, U.S. dollar or foreign currency denominated

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notes, redeemable notes, global notes, and dual currency or other indexed notes. Issuances under the shelf registration will require the filing of a prospectus supplement identifying the amount and terms of the securities to be issued. Our ability to issue debt is subject to market conditions and other factors impacting our borrowing capacity.

U.S. Medium-Term Note Program

At September 27, 2008, the total debt outstanding under U.S. medium-term note programs was $7.0 billion. The maturities of current outstanding borrowings range from 1 to 85 years and stated interest rates range from 3.47% to 7.55%.

Convertible Senior Notes

In 2003, the Company issued $1.3 billion of convertible senior notes (the Notes) due on April 15, 2023. The Notes bore interest at a fixed annual rate of 2.13% and were redeemable at the Company's option any time after April 15, 2008 at par.

On March 14, 2008, the Company announced that it would redeem the Notes on April 15, 2008 (the Redemption Date) at 100% of the principal amount of the Notes plus accrued interest through the Redemption Date. Pursuant to the redemption, each $1,000 principal amount of the Notes became convertible, at the option of the holders, into 33.9443 shares of the Company's common stock. Substantially all of the Notes were converted into 45 million shares of the Company's common stock in April 2008.

European Medium-Term Note Program

At September 27, 2008, the Company had a European medium-term note program for the issuance of various types of debt instruments such as fixed or floating rate notes, U.S. dollar or foreign currency denominated notes, redeemable notes and index linked or dual currency notes. The size of the program is $4 billion. The remaining capacity under the program is $3.7 billion, subject to market conditions and other factors impacting our borrowing capacity. The remaining capacity under the program replenishes as outstanding debt under the program matures. In 2008, $155 million of debt was issued under the program. At September 27, 2008, the total debt outstanding under the program was $318 million. The maturities of outstanding borrowings range from 2 to 5 years, and stated interest rates range from 1.44% to 4.90%. The Company has outstanding borrowings under the program denominated in U.S. dollars and Japanese Yen.

Other Foreign Currency Denominated Debt

In connection with the acquisition of Club Penguin Entertainment, Inc. in July 2007, the Company executed a credit agreement denominated in Canadian (CAD) dollars and raised CAD$328 million ($317 million at September 27, 2008 exchange rates) of borrowings. The loan bears interest at CAD LIBOR plus 0.225% (4.33% at September 27, 2008) and matures in 2013.

In July 2008, the Company executed a loan agreement denominated in Japanese Yen (JPY) and raised JPY54 billion ($508 million at September 27, 2008 exchange rates) of borrowings. The loan bears interest at Japanese LIBOR plus 0.42% (1.36% at September 27, 2008) and matures in 2013.

Capital Cities/ABC Debt

In connection with the Capital Cities/ABC, Inc. acquisition in 1996, the Company assumed various debt previously issued by Capital Cities/ABC, Inc. At September 27, 2008, the outstanding balance was $178 million with maturities ranging from 1 to 13 years and stated interest rates ranging from 8.75% to 9.65%.

Film Financing

In August 2005, the Company entered into a film financing arrangement with a group of investors whereby the investors will fund up to approximately $500 million for 40% of the production and marketing costs of a slate of up to thirty-two live-action films, excluding certain titles such as *The Chronicles of Narnia* series and, in general, sequels to previous films (including the *Pirates of the Caribbean* sequels), not included in the slate, in return for approximately 40% of the future net cash flows generated by these films. By entering into this transaction, the Company is able to share the risks and rewards of the performance of its live-action film production and distribution activity with outside investors. As of September 27, 2008, the investors have participated in the funding of twenty-seven films. The cumulative

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investment in the slate by the investors, net of the cash flows generated by the slate that are returned to the investors, is classified as borrowings. Interest expense recognized from these borrowings is variable and is determined using the effective interest method based on the projected profitability of the film slate.

The last film of the slate is anticipated to be completed in fiscal 2009. The Company has the option at 5, 10 and 15 years from inception of the film financing arrangement to buy the investors' remaining interest in the slate at a price that is based on the then remaining projected future cash flows that the investors would receive from the slate. As of September 27, 2008, borrowings under this arrangement totaled $248 million.

Euro Disney Borrowings

	September 27, 2008	September 29, 2007
DC senior debt	**$ 354**	$ 343
DC subordinated debt – original and 1994 financing	**405**	393
DC subordinated debt – Walt Disney Studios Park financing	**710**	682
DC loans	**1,469**	1,418
redit facilities and other	**482**	568
ther advances	**506**	490
	$ 2,457	$ 2,476

Euro Disney — Caisse des Dépôts et Consignations (CDC) loans. Pursuant to Euro Disney's original financing and the terms of a 1994 financial restructuring, Euro Disney borrowed funds from the CDC. As of September 27, 2008, these borrowings consisted of approximately €242 million ($354 million at September 27, 2008 exchange rates) of senior debt and €277 million ($405 million at September 27, 2008 exchange rates) of subordinated debt. The senior debt is collateralized primarily by the theme park, certain hotels, and land assets of Disneyland Resort Paris (except for Walt Disney Studios Park) with a net book value of approximately €1.4 billion ($2.0 billion at September 27, 2008 exchange rates), whereas the subordinated debt is unsecured. Interest on the senior and subordinated debt is payable semiannually. The loans bear interest at a fixed rate of 5.15% and mature from fiscal year 2009 to fiscal year 2024.

Euro Disney also executed a credit agreement with the CDC to finance a portion of the construction costs of Walt Disney Studios Park. As of September 27, 2008, approximately €486 million ($710 million at September 27, 2008 exchange rates) of subordinated loans were outstanding under this agreement. The loans bear interest at a fixed rate of 5.15% per annum. The loans mature between fiscal years 2015 and 2028.

Also, pursuant to the 2005 Financial Restructuring, the CDC agreed to conditionally defer and convert to subordinated long-term borrowings, interest payments up to a maximum amount of €20 million ($29 million at September 27, 2008 exchange rates) per year for fiscal year 2005 through fiscal year 2012 and €23 million ($34 million at September 27, 2008 exchange rates) for each of the fiscal years 2013 and 2014. Subject to third party confirmation, Euro Disney does not expect any interest to be deferred for fiscal 2008.

Euro Disney — Credit facilities and other. Pursuant to Euro Disney's original financing with a syndicate of international banks and the terms of a 1994 financial restructuring, Euro Disney borrowed funds which are collateralized primarily by the theme park, hotels, and land assets of Disneyland Resort Paris (except for Walt Disney Studios Park) with a net book value of approximately €1.4 billion ($2.0 billion at September 27, 2008 exchange rates). At September 27, 2008, the total balance outstanding was €330 million ($482 million at September 27, 2008 exchange rate). The loans mature between fiscal years 2009 and 2013.

Euro Disney — Other advances. Advances of €331 million ($484 million at September 27, 2008 exchange rates) bear interest at a fixed rate of 3.0%. The remaining advances of €15 million ($22 million at September 27, 2008 exchange rates) bear interest at EURIBOR plus 3% (8.28% at September 27, 2008). The advances are expected to mature between fiscal years 2011 and 2017, of which the €15 million ($22 million at September 27, 2008 exchange rates) are collateralized by certain hotel assets.

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Euro Disney has covenants under its debt agreements that limit its investment and financing activities and require it to meet certain annual financial performance covenants. Subject to final third-party review as provided in its debt agreements, Euro Disney believes that it has complied with its financial performance covenants for fiscal year 2008.

Hong Kong Disneyland Borrowings	**September 27, 2008**	September 29, 2007
erm loan facility	**$ 283**	$ 284
evolving credit facility	**90**	—
enior loans	**373**	284
ther borrowings	**722**	724
ccrued interest, prior to March 2006	**56**	56
ccrued interest, other	**98**	43
ther borrowings	**876**	823
	$ 1,249	$ 1,107

Hong Kong Disneyland — Senior loans. Hong Kong Disneyland's senior loans at September 27, 2008 were borrowings pursuant to a term loan facility with a capacity of Hong Kong (HK) $2.3 billion ($296 million at September 27, 2008 exchange rates) and a revolving credit facility with a capacity of HK$800 million ($103 million at September 27, 2008 exchange rates). At September 27, 2008, both facilities had a rate of HIBOR + 1.25%.

Hong Kong Disneyland's commercial term loan and revolving credit facility agreement contained semi-annual financial performance covenants and had an original maturity of October 26, 2015. In anticipation of the prospect that the covenants would not be met for fiscal 2007, the agreement was amended in 2007 to remove the financial performance covenants, shorten the maturity of the loan to September 30, 2008 and decrease the amount of the revolving credit facility from HK$1.0 billion (approximately $129 million) to HK$800 million (approximately $103 million).

Subsequent to the end of fiscal 2008, on September 29, 2008, the Company entered into a term loan and revolving credit facility agreement with Hong Kong Disneyland pursuant to which Hong Kong Disneyland borrowed HK$2.3 billion (approximately $292 million) under a term loan and HK$700 million (approximately $90 million) under a HK$1.0 billion ($129 million) revolving credit facility. These funds were used to repay Hong Kong Disneyland's commercial term loan and revolving credit facility. Both the term loan and revolving credit facility have an effective maturity date of September 2013.

To support Hong Kong Disneyland's near-term operating needs, the Company has agreed to waive management fees for fiscal 2008 and fiscal 2009 and defer royalties for those years, with payment of the deferred royalties dependent upon the future operating performance of Hong Kong Disneyland. The Company may provide additional investment to meet Hong Kong Disneyland's longer-term financial and development needs.

Hong Kong Disneyland — Other borrowings . Hong Kong Disneyland has an unsecured loan facility of HK$5.6 billion ($722 million at September 27, 2008 exchange rates) from its other shareholder, that is scheduled to mature on dates through September 12, 2030. Pursuant to the terms of the loan facility, interest incurred prior to March 2006 of HK$433 million ($56 million at September 27, 2008 exchange rates) is not payable until the loan matures and is therefore classified as long-term borrowings. In addition, pursuant to the terms of the loan facility, interest incurred subsequent to March 2006 of HK$759 million ($98 million at September 27, 2008 exchange rates) is payable dependent upon the achievement of certain financial measurements and is also classified as long-term borrowings. The interest rate on this loan is subject to biannual revisions, but is capped at an annual rate of 6.75% (until March 12, 2014), 7.625% (until March 12, 2022) and 8.50% (until September 12, 2030). As of September 27, 2008, the rate on the loans was 6.75%.

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Total borrowings excluding market value adjustments, have the following scheduled maturities:

	Before Euro Disney and Hong Kong Disneyland Consolidation	Euro Disney and Hong Kong Disneyland	Total
)09	$ 3,014	$ 499	$ 3,513
)10	949	125	1,074
)11	1,026	179	1,205
)12	1,254	225	1,479
)13	1,645	197	1,842
ıereafter	2,843	2,481	5,324
	$ 10,731	$ 3,706	$ 14,437

The Company capitalizes interest on assets constructed for its parks, resorts, and other property and on theatrical productions. In 2008, 2007 and 2006, total interest capitalized was $62 million, $37 million, and $30 million, respectively. Interest expense, net of capitalized interest, for 2008, 2007 and 2006 was $712 million, $746 million and $706 million.

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8 ***Income Taxes***

	2008	2007	2006
Income From Continuing Operations Before Income Taxes and Minority Interests			
omestic (including U.S. exports)	**$ 6,692**	$ 7,344	$ 4,983
oreign subsidiaries	**710**	381	341
	$ 7,402	$ 7,725	$ 5,324
come Tax Expense / (Benefit)			
urrent			
ederal	$ 2,072	$ 2,368	$ 1,612
ate	366	303	125
oreign	362	330	243
	2,800	3,001	1,980
eferred			
ederal	(95)	(118)	(182)
ate	(32)	(9)	39
	(127)	(127)	(143)
	$ 2,673	$ 2,874	$ 1,837

	September 27, 2008	September 29, 2007
omponents of Deferred Tax Assets and Liabilities		
eferred tax assets		
ccrued liabilities	**$ (1,354)**	$ (1,153)
oreign subsidiaries	**(569)**	(526)
quity-based compensation	**(371)**	(303)
inority interest net operating losses	**(316)**	—
ther, net	—	(37)
otal deferred tax assets	**(2,610)**	(2,019)

eferred tax liabilities		
epreciable, amortizable and other property	**3,167**	3,286
icensing revenues	**269**	340
everaged leases	**49**	50
ther, net	**81**	—
otal deferred tax liabilities	**3,566**	3,676
et deferred tax liability before valuation allowance	**956**	1,657
aluation allowance	**370**	54
et deferred tax liability	**$ 1,326**	$ 1,711

The valuation allowance principally relates to the $316 million deferred tax asset for the minority interest share of operating losses at Euro Disney. Based on Euro Disney's historical results, no deferred tax asset had previously been recorded for these net operating losses due to the remote likelihood of their utilization. In 2008, the results of Euro Disney were such that management's judgment changed relating to these net operating losses, and a deferred tax asset with an offsetting valuation allowance in the amount of $316 million was recorded. The ultimate utilization of these net operating losses would not have a net impact on the Company's consolidated net income as any income tax benefit would be offset by a charge to minority interest in the income statement.

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As of September 27, 2008, the Company had undistributed earnings of certain foreign subsidiaries of approximately $119 million, for which deferred taxes have not been provided. The Company intends to reinvest these earnings for the foreseeable future. If these amounts were distributed to the United States, in the form of dividends or otherwise, the Company would be subject to additional U.S. income taxes. Determination of the amount of unrecognized deferred income tax liabilities on these earnings is not practicable because such liability, if any, is dependent on circumstances existing if and when remittance occurs.

A reconciliation of the effective income tax rate to the federal rate is as follows:

	2008	2007	2006
ederal income tax rate	**35.0%**	35.0%	35.0%
ate taxes, net of federal benefit	**3.0**	2.8	2.3
oreign sales corporation and extraterritorial income	**(0.1)**	(0.5)	(2.2)
ther, including tax reserves and related interest	**(1.8)**	(0.1)	(0.6)
	36.1%	37.2%	34.5%

In 2008 the Company derived tax benefits of $9 million from an exclusion provided under U.S. income tax laws with respect to certain extraterritorial income attributable to foreign trading gross receipts ("FTGRs"). This exclusion was repealed as part of the *American Jobs Creation Act of 2004* (the "Act"), which was enacted on October 22, 2004. The Act provides for a phase-out such that the exclusion for the Company's otherwise qualifying FTGRs generated in fiscal 2005, 2006 and 2007 are limited to approximately 85%, 65% and 15%, respectively. No exclusion is available for transactions originating after the first quarter of fiscal 2007.

The Act made a number of other changes to the income tax laws including the creation of a new deduction relating to qualifying domestic production activities which will affect the Company in the current and future years. The deduction equals three percent of qualifying net income for fiscal 2006 and 2007, six percent for fiscal 2008 through 2010, and nine percent for fiscal 2011 and thereafter. Our tax provisions for fiscal 2008, fiscal 2007 and fiscal 2006 reflect benefits of $97 million, $41 million and $25 million, respectively, resulting from this deduction.

The Company adopted FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (FIN 48) at the beginning of fiscal year 2008. See Note 2 for the impact of adopting FIN 48.

A reconciliation of the beginning and ending amount of gross unrecognized tax benefits, excluding the related accrual for interest, is as follows:

alance at September 29, 2007	$ 630
creases in tax positions for current year	99
creases in tax positions for prior years	221
ecreases in tax positions for prior years	(189)
ettlements with taxing authorities	(106)
alance at September 27, 2008	$ 655

Included in the balance at September 27, 2008 is $353 million that, if recognized, would reduce our income tax expense and effective tax rate after giving effect to offsetting impacts from other tax jurisdictions.

As of September 27, 2008 and September 29, 2007, the Company had $127 million and $137 million, respectively, of accrued interest related to unrecognized tax benefits. During the current year, the Company accrued additional interest of $47 million, and recorded a $57 million reduction of accrued interest as a result of audit settlements and other prior year adjustments. The Company's policy is to report interest and penalties as a component of income tax expense.

During the current year, the Company reached resolution with respect to the Internal Revenue Service's examination of the Company's federal income tax returns for fiscal years 2001 through 2004. The Company is also subject to state and local and foreign tax audits. In the current year, the California examination of fiscal years 1997 through 1999 was completed and the New York Court of Appeals rendered a decision regarding the remaining tax matters from fiscal years 1990 through 1995. In light of the resolution of these matters, the Company is no longer subject to examination in any of its major state or foreign tax jurisdictions for years prior to 2000.

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In the next twelve months, the Company does not expect a material net change in unrecognized tax benefits.

In fiscal years 2008, 2007 and 2006, income tax benefits attributable to equity-based compensation transactions that were allocated to shareholders' equity amounted to $45 million, $123 million and $106 million, respectively.

9 *Pension and Other Benefit Programs*

The Company maintains pension plans and postretirement medical benefit plans covering most of its employees not covered by union or industry-wide plans. Employees hired after January 1, 1994 and ABC employees generally hired after January 1, 1987 are not eligible for postretirement medical benefits. With respect to its qualified defined benefit pension plans, the Company's policy is to fund, at a minimum, the amount necessary on an actuarial basis to provide for benefits in accordance with the requirements of the Employee Retirement Income Security Act of 1974, as amended by the Pension Protection Act of 2006 (PPA). Pension benefits are generally based on years of service and/or compensation.

The following chart summarizes the benefit obligations, assets, funded status and balance sheet impacts associated with the pension and postretirement medical benefit plans based upon the actuarial valuations prepared as of June 30, 2008 and 2007 (the Plan Measurement Dates).

	Pension Plans		Postretirement Medical Plans	
	September 27, 2008	September 29, 2007	**September 27, 2008**	September 29, 2007
ɔjected benefit obligations				
ːginning obligations	**$ (5,242)**	$ (4,705)	**$ (1,011)**	$ (936)
rvice cost	**(187)**	(166)	**(22)**	(22)
ːerest cost	**(325)**	(297)	**(63)**	(59)
ːtuarial gain / (loss)	**360**	(92)	**40**	(19)
ın amendments and other	**(14)**	(128)	**—**	—
ːnefits paid	**159**	146	**26**	25
ːding obligations	**$ (5,249)**	$ (5,242)	**$ (1,030)**	$ (1,011)
ir value of plans' assets				
ːginning fair value	**$ 5,160**	$ 4,181	**$ 372**	$ 317
ːtual return on plan assets	**(39)**	725	**(7)**	53
ıntributions	**17**	428	**12**	27
ːnefits paid	**(159)**	(146)	**(26)**	(25)
ːpenses	**(24)**	(28)	**—**	—
ːding fair value	**$ 4,955**	$ 5,160	**$ 351**	$ 372
ˈer/(under) funded status of the plans	**$ (294)**	$ (82)	**$ (679)**	$ (639)
ıntributions after Plan Measurement Date	**4**	4	**3**	3

:t balance sheet asset/(liability)	**$ (290)**	$ (78)	**$ (676)**	$ (636)
nounts recognized in the balance sheet				
on-current assets	**$ 215**	$ 275	**$ —**	$ —
urrent liabilities	**(10)**	(9)	**(14)**	(14)
on-current liabilities	**(495)**	(344)	**(662)**	(622)
	$ (290)	$ (78)	**$ (676)**	$ (636)

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The components of net periodic benefit cost and key assumptions are as follows:

	Pension Plans			Postretirement Medical Plans		
	2008	2007	2006	**2008**	2007	2006
rvice costs	**$ 187**	$ 166	$ 186	**$ 22**	$ 22	$ 34
:erest costs	**325**	297	256	**63**	59	61
:pected return on plan assets	**(356)**	(302)	(250)	**(25)**	(21)	(16)
nortization of prior year service costs	**13**	4	1	**(1)**	(1)	(1)
:cognized net actuarial loss	**25**	47	148	**2**	2	43
ecial termination benefits	**—**	5	—	**—**	—	—
:t periodic benefit cost	**$ 194**	$ 217	$ 341	**$ 61**	$ 61	$ 121
:sumptions:						
scount rate	**7.00%**	6.35%	6.40%	**7.00%**	6.35%	6.40%
ıte of return on plan assets	**7.50%**	7.50%	7.50%	**7.50%**	7.50%	7.50%
lary increases	**5.00%**	4.00%	4.00%	**n/a**	n/a	n/a
:ar 1 increase in cost of benefits	**n/a**	n/a	n/a	**9.00%**	9.00%	9.00%
ıte of increase to which the cost of benefits is assumed to decline (the ultimate trend rate)	**n/a**	n/a	n/a	**5.00%**	5.00%	5.00%
:ar that the rate reaches the ultimate trend rate	**n/a**	n/a	n/a	**2016**	2015	2012

Net periodic benefit cost for the current year is based on assumptions determined at the June 30 valuation date of the prior year.

Accumulated other comprehensive loss, before tax, as of September 27, 2008 consists of the following amounts that have not yet been recognized in net periodic benefit cost:

	Pension Plans	Postretirement Medical Plans	Total
nrecognized prior service credit / (cost)	$ (80)	$ 13	$ (67)
nrecognized net actuarial gain / (loss)	(405)	13	(392)
otal amounts included in accumulated other comprehensive income / (loss)	(485)	26	(459)
:epaid / (accrued) pension cost	195	(702)	(507)
et balance sheet impact	$ (290)	$ (676)	$ (966)

Amounts included in accumulated other comprehensive loss, before tax, as of September 27, 2008 that are expected to be recognized as components of net periodic benefit cost during fiscal 2009 are:

	Pension Plans	Postretirement Medical Plans	Total
ior service credit / (cost)	$ (16)	$ 2	$ (14)
et actuarial gain / (loss)	2	(1)	1
otal	$ (14)	$ 1	$ (13)

Plan Funded Status

At September 27, 2008, the Company had pension plans that were underfunded, having accumulated benefit obligations exceeding the fair value of plan assets. The projected benefit obligation, accumulated benefit obligation and aggregate fair value of plan assets for pension plans with accumulated benefit obligations in excess of plan assets were $397 million, $332 million and $0 million, respectively, as of September 27, 2008 and $323 million, $283 million and $2 million as of September 29, 2007, respectively.

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For pension plans with projected benefit obligations in excess of plan assets, the projected benefit obligation and aggregate fair value of plan assets were $3.9 billion and $3.4 billion, respectively, as of September 27, 2008 and $323 million and $2 million as of September 29, 2007, respectively.

The Company's total accumulated pension benefit obligations at both September 27, 2008 and September 29, 2007 was $4.8 billion, of which 97.0% and 96.2%, respectively, were vested.

The accumulated postretirement medical benefit obligations and fair value of plan assets for postretirement medical plans with accumulated postretirement medical benefit obligations in excess of plan assets were $1.0 billion and $351 million, respectively, at September 27, 2008 and $1.0 billion and $372 million, respectively, at September 29, 2007.

Plan Assets

A significant portion of the assets of the Company's defined benefit plans are managed on a commingled basis in a third party master trust. The investment policy and allocation of the assets in the master trust were approved by the Company's Investment and Administrative Committee, which has oversight responsibility for the Company's retirement plans. The investment policy ranges for the major asset classes are as follows:

Asset Class	Minimum	Maximum
quity Securities	40 %	60 %
ebt Securities	25 %	35 %
lternative Investments	10 %	30 %
ash	0 %	5 %

Alternative investments include venture capital funds, private equity funds and real estate, among other investments.

The Company's defined benefit plans asset mix (including assets held outside of the master trust) at the Plan Measurement Dates is as follows:

Asset Class	June 30, 2008	June 30, 2007
quity Securities	47 %	55 %
ebt Securities	35 %	27 %
lternative Investments	16 %	13 %
ash	2 %	5 %
otal	100 %	100 %

Equity securities include 2.8 million shares of Company common stock or $92 million (2% of total plan assets) and $97 million (2% of total plan assets) at September 27, 2008 and September 29, 2007, respectively.

Plan Contributions

During fiscal 2008, the Company was not required to make contributions to its pension plans under funding regulations associated with the Pension Protection Act of 2006 (PPA) and contributed $29 million to pension and postretirement medical plans not subject to PPA. The Company expects pension and postretirement medical plan contributions in fiscal 2009 to range from $200 million to $300 million. Final funding requirements for fiscal 2009 will be determined based on our January 1, 2009 funding actuarial valuation. The Company may also make discretionary contributions above the minimum requirements.

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Estimated Future Benefit Payments

The following table presents estimated future benefit payments for the next ten fiscal years:

	Pension Plans	Post Retirement Medical Plans [(1)]
)09	$ 190	$ 32
)10	212	34
)11	228	37
)12	248	40
)13	270	43
)14 – 2018	1,710	267

(1) Estimated future benefit payments are net of expected Medicare subsidy receipts of $61 million.

Assumptions

Certain actuarial assumptions, such as the discount rate, long-term rate of return on plan assets and the healthcare cost trend rate, have a significant effect on the amounts reported for net periodic benefit cost as well as the related benefit obligation amounts.

Discount Rate — The assumed discount rate for pension and postretirement medical plans reflects the market rates for high-quality corporate bonds currently available. The Company's discount rate was determined by considering the average of pension yield curves constructed of a large population of high quality corporate bonds. The resulting discount rate reflects the matching of plan liability cash flows to the yield curves.

Long-term rate of return on plan assets — The long-term rate of return on plan assets represents an estimate of long-term returns on an investment portfolio consisting of a mixture of equities, fixed income and alternative investments. When determining the long-term rate of return on plan assets, the Company considers long-term rates of return on the asset classes (both historical and forecasted) in which the Company expects the pension funds to be invested. The following long-term rates of return by asset class were considered in setting the long-term rate of return on plan assets assumption:

quity Securities	8% – 10%
ebt Securities	4% – 7%
lternative Investments	8% – 20%

Healthcare cost trend rate — The Company reviews external data and its own historical trends for healthcare costs to determine the healthcare cost trend rates for the postretirement medical benefit plans. For the 2008 actuarial valuation, we assumed a 9.0% annual rate of increase in the per capita cost of covered healthcare claims with the rate decreasing in even increments over eight years until reaching 5.0%.

A one percentage point (ppt) change in the key assumptions would have the following effects on the projected benefit obligations as of September 27, 2008 and on cost for fiscal 2009:

	Pension and Postretirement Medical Plans		Postretirement Medical Plans
	Discount Rate	Expected Long-Term Rate of Return On Assets	Assumed Healthcare Cost Trend Rate

Increase/ (decrease)	Net Periodic Pension and Postretirement Medical Cost	Projected Benefit Obligations	Net Periodic Pension and Postretirement Cost	Net Periodic Postretirement Medical Cost	Projected Benefit Obligations
ppt decrease	$ 120	$ 968	$ 53	$ (27)	$ (143)
ppt increase	(74)	(834)	(53)	26	178

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Multi-employer Plans

The Company participates in various multi-employer pension plans under union and industry-wide agreements. In 2008, 2007 and 2006, the contributions to these plans, which are expensed as incurred, were $56 million, $54 million and $51 million, respectively.

Defined Contribution Plans

The Company has savings and investment plans that allow eligible employees to allocate up to 20% of their salary through payroll deductions depending on the plan in which the employee participates. The Company matches 50% of the employee's pre-tax contributions, up to plan limits. In 2008, 2007 and 2006, the costs of these plans were $52 million, $42 million and $39 million, respectively.

10 *Shareholders' Equity*

As of the filing date of this report, the Board of Directors had not yet declared a dividend related to fiscal 2008. The Company paid a $664 million dividend ($0.35 per share) during the second quarter of fiscal 2008 related to fiscal 2007. The Company paid a $637 million dividend ($0.31 per share) during the second quarter of fiscal 2007 related to fiscal 2006. The Company paid a $519 million dividend ($0.27 per share) during the second quarter of fiscal 2006 related to fiscal 2005.

During fiscal 2008, the Company repurchased 139 million shares of Disney common stock for $4.5 billion. During fiscal 2007, the Company repurchased 202 million shares of Disney common stock for $6.9 billion. During fiscal 2006, the Company repurchased 243 million shares of Disney common stock for $6.9 billion. On May 1, 2007, the Board of Directors of the Company increased the share repurchase authorization to a total of 400 million shares. As of September 27, 2008, the Company had remaining authorization in place to repurchase 184 million additional shares. The repurchase program does not have an expiration date.

In April 2008, the Company redeemed $1.3 billion of convertible senior notes. Pursuant to the redemption, substantially all of the Notes were converted into 45 million shares of the Company's common stock (See Note 7 for further details of the redemption).

The par value of the Company's outstanding common stock totaled approximately $26 million.

The Company also has 1.0 billion shares of Internet Group stock at $.01 par value authorized. No shares are issued and outstanding.

11 *Equity-Based Compensation*

Under various plans, the Company may grant stock options and other equity-based awards to executive, management, and creative personnel. The Company's approach to long-term incentive compensation contemplates awards of stock options and restricted stock units (RSUs).

Stock options are generally granted at exercise prices equal to or exceeding the market price at the date of grant. Effective in January 2003, options became exercisable ratably over a four-year period from the grant date, while options granted prior to January 2003 generally vest ratably over five years. Effective in the second quarter of 2005, options granted generally expire seven years after the grant date, while options granted prior to the second quarter of 2005 generally expire ten years after the grant date. At the discretion of the Compensation Committee of the Company's Board of Directors, options can occasionally extend up to 15 years after date of grant. Restricted stock units generally vest 50% on each of the second and fourth anniversaries of the grant date. Certain RSUs awarded to senior executives vest based upon the achievement of market and/or performance conditions. Stock options and RSUs are generally forfeited by employees who terminate prior to vesting. Shares available for future option and RSU grants at September 27, 2008 totaled 56 million. The Company satisfies stock option exercises and vesting of RSUs with newly issued shares.

Each year, during the second quarter, the Company awards stock options and restricted stock units to a broad-based group of management and creative personnel (the Annual Grant). The fair value of options is estimated based on the binomial valuation model. The binomial valuation model takes into account variables such as volatility, dividend yield, and the risk-free interest rate. The binomial valuation model also considers the expected exercise multiple (the

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multiple of exercise price to grant price at which exercises are expected to occur on average) and the termination rate (the probability of a vested option being cancelled due to the termination of the option holder) in computing the value of the option.

In fiscal years 2008, 2007 and 2006, the weighted average assumptions used in the option-pricing models were as follows:

	2008	2007	2006
isk-free interest rate	3.6 %	4.5 %	4.3 %
xpected volatility	29 %	26 %	26 %
ividend yield	1.02 %	0.79 %	0.79 %
ermination rate	7.5 %	7.4 %	4.0 %
xercise multiple	1.39	1.38	1.48

Although the initial fair value of stock options is not adjusted after the grant date, changes in the Company's assumptions may change the value of, and therefore the expense related to, future stock option grants. The assumptions that cause the greatest variation in fair value in the binomial valuation model are the expected volatility and expected exercise multiple. Increases or decreases in either the expected volatility or expected exercise multiple will cause the binomial option value to increase or decrease, respectively.

The volatility assumption considers both historical and implied volatility and may be impacted by the Company's performance as well as changes in economic and market conditions.

Compensation expense for RSUs and stock options is recognized ratably over the vesting period. Compensation expense for RSUs is based upon the market price of the shares underlying the awards on the grant date. Compensation expense for performance-based awards reflects the estimated probability that the market and/or performance conditions will be met.

The impact of stock options and RSUs on income and cash flow from continuing operations for fiscal 2008, 2007 and 2006 was as follows:

	2008	2007	2006
ock option compensation expense	**$ 214**	$ 213	$ 241
SU compensation expense	**188**	158	132
	402	371	373
quity-based compensation plan modification charge (1)	—	48	—
otal equity-based compensation expense (2)(3)	**402**	419	373
ax impact	**(149)**	(155)	(138)
eduction in net income	**$ 253**	$ 264	$ 235
ax benefit reported in cash flow from continuing financing activities	**47**	116	133

(1) In anticipation of the ABC Radio transaction, the Company needed to determine whether employee equity-based compensation awards would be adjusted for the dilutive impact of the transaction on outstanding employee awards. Certain of the Company's plans required such adjustments to be made on an equitable basis. All other plans permitted such adjustments to be made. In order to treat all employees consistently with respect to the ABC Radio transaction (and other similar future transactions), the Company amended the plans such that all plans require equitable adjustments for such transactions. In connection with these amendments, the Company was required to record a non-cash charge of $48 million in

the first quarter of fiscal 2007 representing the estimated fair value of this modification with respect to vested equity-based employee compensation awards.

(2) Excludes amounts related to discontinued operations of $6 million and $9 million in 2007 and 2006, respectively.

(3) Equity-based compensation expense is net of capitalized equity-based compensation and includes amortization of previously capitalized equity-based compensation costs. Capitalized equity-based compensation totaled $55 million, $103 million and $52 million in 2008, 2007 and 2006, respectively.

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The following table summarizes information about stock option transactions (shares in millions):

	2008		2007		2006	
	Shares	**Weighted Average Exercise Price**	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
utstanding at beginning of year	**177**	**$ 27.36**	212	$ 25.85	212	$ 27.06
wards granted in Pixar acquisition	—	—	—	—	44	15.04
wards forfeited	**(4)**	**29.49**	(5)	27.71	(7)	28.34
wards granted	**30**	**30.12**	25	34.22	24	25.33
wards exercised	**(27)**	**21.79**	(53)	24.52	(56)	21.42
wards expired/cancelled	**(5)**	**44.12**	(2)	56.00	(5)	56.91
utstanding at end of year	**171**	**28.37**	177	27.36	212	25.85
xercisable at end of year	**101**	**27.72**	108	27.07	130	27.57

The following tables summarize information about stock options vested and expected to vest at September 27, 2008 (shares in millions):

	Vested		
Range of Exercise Prices	Number of Options	Weighted Average Exercise Price	Weighted Averaged Remaining Years of Contractual Life
0 — $ 15	8	$ 9.95	3.3
16 — $ 20	10	18.08	5.2
21 — $ 25	30	23.67	4.3
26 — $ 30	27	29.06	3.1
31 — $ 35	19	33.78	2.2
36 — $ 40	3	39.88	1.7
41 — $ 45	3	42.21	2.0
46 — $340	1	116.37	1.4
	101		

	Expected to Vest		

Range of Exercise Prices	Number of Options [1]	Weighted Average Exercise Price	Weighted Averaged Remaining Years of Contractual Life
0 — $ 15	2	$ 11.92	3.9
16 — $ 20	2	19.37	6.8
21 — $ 25	8	24.78	4.3
26 — $ 30	33	29.10	6.3
31 — $ 35	17	34.04	5.6
	62		

(1) Number of options expected to vest are net of estimated forfeitures.

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The following table summarizes information about RSU transactions (shares in millions):

	2008		2007		2006	
	Restricted Stock Units	**Weighted Average Grant-Date Fair Value**	Restricted Stock Units	Weighted Average Grant-Date Fair Value	Restricted Stock Units	Weighted Average Grant-Date Fair Value
ıvested at beginning of year	**27**	**$ 29.01**	23	$ 25.74	15	$ 26.04
vards granted in Pixar acquisition	**—**	**—**	—	—	1	29.09
anted	**11**	**29.92**	12	34.22	11	24.83
sted	**(7)**	**26.45**	(6)	26.20	(2)	24.57
rfeited	**(3)**	**29.69**	(2)	27.78	(2)	25.87
ıvested at end of year	**28**	**29.95**	27	29.01	23	25.74

RSUs representing 2.3 million shares, 1.4 million shares and 2.2 million shares that vest based upon the achievement of market and/or performance conditions were granted in 2008, 2007 and 2006, respectively. Approximately 6.2 million of the unvested RSUs as of September 27, 2008, vest upon the achievement of market and/or performance conditions.

The weighted average grant-date fair values of options granted during 2008, 2007 and 2006 were $8.25, $9.27 and $7.26, respectively. The total intrinsic value (market value on date of exercise less exercise price) of options exercised and RSUs vested during 2008, 2007 and 2006 totaled $529 million, $735 million, and $506 million, respectively. The aggregate intrinsic values of stock options vested and expected to vest at September 27, 2008 were $670 million and $230 million, respectively.

As of September 27, 2008, there was $426 million of unrecognized compensation cost related to unvested stock options and $459 million related to unvested RSUs. That cost is expected to be recognized over a weighted-average period of 1.7 years for stock options and 2.1 years for RSUs.

Cash received from option exercises for 2008, 2007 and 2006 was $591 million, $1.3 billion and $1.1 billion, respectively. Tax benefits realized from tax deductions associated with option exercises and RSU activity for 2008, 2007 and 2006 totaled $183 million, $267 million and $180 million, respectively.

In connection with the acquisition of Pixar on May 5, 2006, the Company converted previously issued vested and unvested Pixar stock-based awards into Disney stock-based awards consisting of 44 million stock options and 1 million RSUs. The fair value of these stock option awards was estimated using the Black-Scholes option pricing model, as the information required to use the binomial valuation model was not reasonably available. The methodology utilized to determine the assumptions in the Black-Scholes model was consistent with that used by the Company for its option-pricing models.

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12 *Detail of Certain Balance Sheet Accounts*

	September 27, 2008	September 29, 2007
urrent receivables		
ccounts receivable	**$ 5,207**	$ 4,724
ther	**414**	424
llowance for doubtful accounts	**(248)**	(116)
	$ 5,373	$ 5,032
ther current assets		
·epaid expenses	**$ 478**	$ 446
ther	**125**	104
	$ 603	$ 550
ırks, resorts and other property, at cost		
ttractions, buildings and improvements	**$ 15,444**	$ 14,857
·easehold improvements	**553**	500
ırniture, fixtures and equipment	**11,739**	11,272
ınd improvements	**3,757**	3,631
	31,493	30,260
ccumulated depreciation	**(16,310)**	(15,145)
·ojects in progress	**1,169**	1,147
ınd	**1,180**	1,171
	$ 17,532	$ 17,433
ıtangible assets		
opyrights	**$ 357**	$ 357
ther amortizable intangible assets	**282**	255
ccumulated amortization	**(198)**	(143)
et amortizable intangible assets	**441**	469

ːC licenses	**858**	897
ːademarks	**1,109**	1,108
ther indefinite lived intangible assets	**20**	20
	$ 2,428	$ 2,494
ther non-current assets		
ːeceivables	**$ 801**	$ 571
ːnsion related assets	**215**	275
ːepaid expenses	**128**	120
ther	**619**	518
	$ 1,763	$ 1,484
ːccounts payable and other accrued liabilities		
ccounts payable	**$ 4,355**	$ 4,429
ıyroll and employee benefits	**1,376**	1,290
ther	**249**	230
	$ 5,980	$ 5,949
ther long-term liabilities		
eferred revenues	**$ 320**	$ 369
apital lease obligations	**241**	274
ːogram licenses and rights	**223**	288
ırticipation and residual liabilities	**378**	239
ːnsion and postretirement medical plan liabilities	**1,157**	966
ther [(1)]	**1,460**	888
	$ 3,779	$ 3,024

(1) Includes unrecognized tax benefits.

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13 *Financial Instruments*

Interest Rate Risk Management

The Company is exposed to the impact of interest rate changes primarily through its borrowing activities. The Company's objective is to mitigate the impact of interest rate changes on earnings and cash flows and on the market value of its investments and borrowings. In accordance with its policy, the Company targets its fixed rate debt expressed as a percentage of its net debt between a minimum and maximum percentage.

The Company typically uses pay-floating and pay-fixed interest rate swaps to facilitate its interest rate risk management activities. Pay-floating swaps effectively convert fixed rate medium and long-term obligations to variable rate instruments indexed to LIBOR. Pay-fixed swaps effectively convert floating rate obligations to fixed rate instruments. As of September 27, 2008 and September 29, 2007 respectively, the Company held $266 million and $157 million notional value of pay-fixed swaps that do not qualify as hedges. The changes in market values of all swaps that do not qualify as hedges have been included in earnings.

The impact of hedge ineffectiveness was not significant for fiscal 2008, 2007 and 2006. The net amount of deferred gains in AOCI from interest rate risk management transactions was not significant at September 27, 2008 and September 29, 2007.

Foreign Exchange Risk Management

The Company transacts business globally and is subject to risks associated with changing foreign exchange rates. The Company's objective is to reduce earnings and cash flow fluctuations associated with foreign exchange rate changes thereby enabling management to focus attention on core business issues and challenges.

The Company enters into various contracts that change in value as foreign exchange rates change to protect the value of its existing foreign currency assets, liabilities, firm commitments and forecasted but not firmly committed foreign currency transactions. The Company uses option strategies and forward contracts to hedge forecasted transactions. In accordance with policy, the Company hedges its forecasted foreign currency transactions for periods generally not to exceed five years within an established minimum and maximum range of annual exposure. The Company uses forward contracts to hedge foreign currency assets, liabilities and firm commitments. The gains and losses on these contracts offset changes in the U.S. dollar equivalent value of the related forecasted transaction, asset, liability or firm commitment. The principal currencies hedged are the Euro, British pound, Japanese yen and Canadian dollar. Cross-currency swaps are used to effectively convert foreign currency-denominated borrowings to U.S. dollars.

Mark to market gains and losses on contracts hedging forecasted foreign currency transactions are initially recorded to AOCI and are reclassified to current earnings when the hedged transactions are realized, offsetting changes in the value of the foreign currency transactions. At September 27, 2008 and September 29, 2007, the Company had pre-tax deferred gains of $229 million and $114 million, respectively, and pre-tax deferred losses of $96 million and $170 million, respectively, related to cash flow hedges on forecasted foreign currency transactions.

Deferred amounts to be recognized in earnings will change with market conditions and will be substantially offset by changes in the value of the related hedged transactions. Pre-tax net deferred gains recorded in AOCI for contracts that will mature in the next twelve months totaled $25 million. The Company reclassified after-tax gains of $125 million and losses of $34 million from AOCI to earnings during fiscal 2008 and 2007, respectively. These gains and losses were offset by changes in the U.S. dollar equivalent value of the items being hedged.

During fiscal 2008 and 2007, the Company recorded the change in fair market value related to hedges for foreign currency assets and liabilities, realized gains and losses from cash flow hedges and the ineffectiveness related to cash flow hedges to earnings. The amounts of hedge ineffectiveness on cash flow hedges were not material for fiscal 2008, fiscal 2007 and fiscal 2006. The total impact of foreign exchange risk management activities on operating income in 2008, 2007 and 2006 were losses of $224 million, $139 million, and $27 million, respectively. The net losses from these hedges offset changes in the U.S. dollar equivalent value of the related exposures being hedged.

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Fair Value of Financial Instruments

At September 27, 2008 and September 29, 2007, the Company's financial instruments included cash, cash equivalents, investments, receivables, accounts payable, borrowings, and interest rate and foreign exchange risk management contracts.

At September 27, 2008 and September 29, 2007, the fair values of cash and cash equivalents, receivables and accounts payable approximated the carrying values. The estimated fair values of other financial instruments subject to fair value disclosures, determined based on broker quotes or quoted market prices or interest rates for the same or similar instruments and the related carrying amounts are as follows:

	2008		2007	
Asset/(Liability)	**Carrying Amount**	**Fair Value**	Carrying Amount	Fair Value
vestments	**$ 74**	**$ 74**	$ 101	$ 101
orrowings	**(14,639)**	**(14,848)**	(15,172)	(15,594)
isk management contracts:				
oreign exchange forwards	**$ 59**	**$ 59**	$ (85)	$ (85)
oreign exchange options	**106**	**106**	46	46
terest rate swaps	**85**	**85**	25	25
ross-currency swaps	**(26)**	**(26)**	—	—

Credit Concentrations

The Company continually monitors its positions with, and the credit quality of, the financial institutions that are counterparties to its financial instruments and does not anticipate nonperformance by the counterparties with the exception of a $91 million settlement default by Lehman Brothers Commercial Corporation that occurred in September 2008. The Company is pursuing collection of this amount, but has fully reserved the amount.

The Company would not realize a material loss, based on the fair value of its derivative financial instruments as of September 27, 2008, in the event of nonperformance by any single derivative counterparty. The Company enters into transactions only with derivative counterparties that have a credit rating of A- or better. The Company's current policy regarding agreements with derivative counterparties is generally to require collateral in the event credit ratings fall below A- or in the event aggregate exposures exceed limits as defined by contract. In addition, the Company limits the amount of investment credit exposure with any one institution.

The Company does not have material cash and cash equivalent balances with financial institutions that have a credit rating of less than A-. As of September 27, 2008 and September 29, 2007, the Company had balances with three financial institutions that aggregated to 63% and 53% of cash and cash equivalents, respectively.

The Company's trade receivables and investments do not represent a significant concentration of credit risk at September 27, 2008 due to the wide variety of customers and markets into which the Company's products are sold, their dispersion across geographic areas, and the diversification of the Company's portfolio among issuers.

14 *Commitments and Contingencies*

Commitments

The Company has various contractual commitments for broadcast rights for sports, feature films and other programming, aggregating approximately $22.8 billion, including approximately $1.0 billion for available programming as of September 27, 2008, and approximately $19.3 billion related to sports programming rights, primarily NFL, NBA, NASCAR, MLB and college sports.

The Company has entered into operating leases for various real estate and equipment needs, including retail outlets and distribution centers for consumer products, broadcast equipment, and office space for general and administrative purposes. Rental expense for the operating leases during 2008, 2007, and 2006, including common-area maintenance and contingent rentals, was $550 million, $482 million, and $455 million, respectively.

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The Company also has contractual commitments for the construction of two new cruise ships, creative talent and employment agreements and unrecognized tax benefits. Creative talent and employment agreements include obligations to actors, producers, sports personnel, television and radio personalities, and executives.

Contractual commitments for broadcast programming rights, future minimum lease payments under non-cancelable operating leases, and creative talent and other commitments totaled $29.9 billion at September 27, 2008, payable as follows:

	Broadcast Programming	Operating Leases	Other	Total
)09	$ 4,765	$ 392	$ 1,195	$ 6,352
)10	3,209	351	842	4,402
)11	3,058	305	1,137	4,500
)12	2,901	265	975	4,141
)13	2,947	198	111	3,256
ıereafter	5,885	619	695	7,199
	$ 22,765	$ 2,130	$ 4,955	$ 29,850

The Company has certain non-cancelable capital leases primarily for land and broadcast equipment, which had gross carrying values of $423 million and $465 million at September 27, 2008 and September 29, 2007, respectively. Accumulated amortization primarily for broadcast equipment under capital lease totaled $114 million and $127 million at September 27, 2008 and September 29, 2007, respectively. Future payments under these leases as of September 27, 2008 are as follows:

)09	$ 37
)10	35
)11	36
)12	35
)13	34
ıereafter	605
ɔtal minimum obligations	$ 782
ɛss amount representing interest	(524)
·esent value of net minimum obligations	258
ɛss current portion	(17)
ɔng-term portion	$ 241

Contractual Guarantees

The Company has guaranteed certain special assessment and water/sewer revenue bonds issued by the Celebration Community Development District and the Enterprise Community Development District (collectively, the Districts). The bond proceeds were used by the Districts to finance the construction of infrastructure improvements and the water and sewer system in the mixed-use, residential community of Celebration, Florida. As of September 29, 2007, the remaining debt service obligation guaranteed by the Company was $66 million, of which $43 million was principal. During the second quarter of fiscal 2008, the Company was released as a guarantor of certain bonds issued by the Enterprise Community Development District such that the remaining debt service obligations for which the Company has provided guarantees are not material to the Company.

The Company has also guaranteed certain bond issuances by the Anaheim Public Authority that were used by the City of Anaheim to finance construction of infrastructure and a public parking facility adjacent to the Disneyland Resort. Revenues from sales, occupancy and property taxes from the Disneyland Resort and non-Disney hotels are used by the City of Anaheim to repay the bonds. In the event of a debt service shortfall, the Company will be responsible to fund the shortfall. As of September 27, 2008, the remaining debt service obligation guaranteed by the Company was $380 million, of which $100 million was principal. To the extent that tax revenues exceed the debt service payments in subsequent periods, the Company would be reimbursed for any previously funded shortfalls.

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To date, tax revenues have exceeded the debt service payments for both the Celebration and Anaheim bonds.

ESPN STAR Sports, a joint-venture in which ESPN owns a 50% equity interest, has an agreement for global programming rights to International Cricket Council Events from 2007 through 2015. Under the terms of the agreement, ESPN and the other joint-venture partner have jointly guaranteed the programming rights obligation of $1.0 billion over the remaining term of the agreement.

Legal Matters

Milne and Disney Enterprises, Inc. v. Stephen Slesinger, Inc. On November 5, 2002, Clare Milne, the granddaughter of A. A. Milne, author of the Winnie the Pooh books, and the Company's subsidiary Disney Enterprises, Inc. (DEI) filed a complaint against Stephen Slesinger, Inc. (SSI) in the United States District Court for the Central District of California. On November 4, 2002, Ms. Milne served notices to SSI and DEI terminating A. A. Milne's prior grant of rights to Winnie the Pooh, effective November 5, 2004, and granted all of those rights to DEI. In their lawsuit, Ms. Milne and DEI sought a declaratory judgment, under United States copyright law, that Ms. Milne's termination notices were valid; that SSI's rights to Winnie the Pooh in the United States terminated effective November 5, 2004; that upon termination of SSI's rights in the United States, the 1983 licensing agreement that is the subject of the *Stephen Slesinger, Inc. v. The Walt Disney Company* lawsuit (the "state court action") terminated by operation of law; and that, as of November 5, 2004, SSI was entitled to no further royalties for uses of Winnie the Pooh. SSI filed (a) an answer denying the material allegations of the complaint and (b) counterclaims seeking a declaration that (i) Ms. Milne's grant of rights to DEI is void and unenforceable and (ii) DEI remains obligated to pay SSI royalties under the 1983 licensing agreement. The District Court ruled that Milne's termination notices were invalid. The Court of Appeals for the Ninth Circuit affirmed, and on June 26, 2006, the United States Supreme Court denied Milne's petition for a writ of certiorari. On August 1, 2003, SSI filed an amended answer and counterclaims and a third-party complaint against Harriet Hunt (heir to E. H. Shepard, illustrator of the original Winnie the Pooh stories), who had served a notice of termination and a grant of rights similar to Ms. Milne's, and asserted counterclaims against the Company allegedly arising from the Milne and Hunt terminations and the grant of rights to DEI for (a) unlawful and unfair business practices; and (b) breach of the 1983 licensing agreement.

On October 19, 2006, the parties stipulated to SSI's filing its Fourth Amended Answer and Counterclaims (Fourth Amended Answer) seeking (a) to invalidate the Hunt termination notice, (b) to terminate the Company's rights vis-à-vis SSI, and (c) damages in excess of two billion dollars, among other relief. That stipulation also provided that Hunt and the Company need not respond to the Fourth Amended Answer until the conclusion of two events: the state court appeal in *Stephen Slesinger, Inc. v. The Walt Disney Company* , and the trial in the District Court on the validity of the Hunt termination notice. SSI then sought to withdraw both the Fourth Amended Answer and its stipulation, but on November 3, 2006, the District Court denied that request. SSI's motion for summary judgment on the validity of Hunt's 2002 attempt to recapture E. H. Shepard's rights was granted on February 15, 2007, and thereafter, on March 27, 2007, the District Court dismissed as moot all claims against Hunt and three of SSI's counterclaims against the Company related to the Company's agreements with Milne and Hunt concerning the termination and disposition of their rights. On January 3, 2008, the California Supreme Court denied SSI's petition for review in the state court action, whereupon on April 21, 2008, the Company moved for summary judgment on all of SSI's claims in the District Court action. On June 3, 2008, the District Court ordered further briefing on the issue of whether SSI's misconduct in the state court action warrants dismissal of all of its claims in the District Court, and then on July 29, 2008, the District Court referred the summary judgment motion to a Special Master who will issue findings and recommendations on the preclusion and termination issues raised by the motion.

Relatedly, on December 4, 2006, August 22, 2007, and February 8, April 18, August 27, 2008, and October 31, 2008, SSI initiated proceedings in the United States Patent and Trademark Office (PTO) seeking cancellation of certain Winnie the Pooh trademark registrations and opposing applications for other Winnie the Pooh trademarks. The PTO has suspended all the proceedings on the grounds that the relief sought is effectively duplicative of that sought in the Fourth Amended Answer. Also, on April 18 and October 16, 2008, SSI initiated actions before the Canadian Intellectual Property Office ("CIPO") opposing applications for certain Winnie the Pooh trademarks. On September 4, 2008, the Company filed an answer to the April 18 action before the CIPO, denying SSI's claims.

The Company, together with, in some instances, certain of its directors and officers, is a defendant or co-defendant in various other legal actions involving copyright, breach of contract and various other claims incident to the conduct of its businesses. Management does not expect the Company to suffer any material liability by reason of such actions.

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QUARTERLY FINANCIAL SUMMARY

(In millions, except per share data)

(unaudited)	Q1	Q2	Q3	Q4
)08 [(1)(2)]				
evenues	**$ 10,452**	**$ 8,710**	**$ 9,236**	**$ 9,445**
come from continuing operations	**1,250**	**1,133**	**1,284**	**760**
et income	**1,250**	**1,133**	**1,284**	**760**
arnings per share from continuing operations:				
iluted	**$ 0.63**	**$ 0.58**	**$ 0.66**	**$ 0.40**
asic	**0.66**	**0.60**	**0.68**	**0.41**
arnings per share:				
iluted	**$ 0.63**	**$ 0.58**	**$ 0.66**	**$ 0.40**
asic	**0.66**	**0.60**	**0.68**	**0.41**
)07 [(1)(3)(4)]				
evenues	$ 9,581	$ 7,954	$ 9,045	$ 8,930
come from continuing operations	1,676	919	1,196	883
et income	1,701	931	1,178	877
arnings per share from continuing operations:				
iluted	$ 0.78	$ 0.43	$ 0.58	$ 0.44
asic	0.81	0.45	0.60	0.46
arnings per share:				
iluted	$ 0.79	$ 0.44	$ 0.57	$ 0.44
asic	0.83	0.46	0.59	0.45

(1) Results for the fourth quarter of fiscal 2008 include a bad debt charge for a receivable from Lehman Brothers ($0.03 per diluted share). The fourth quarter of fiscal 2007 included favorable resolutions of certain prior-year income tax matters ($0.02 per diluted share).

(2) Results for the third quarter of fiscal 2008 include an accounting gain related to the acquisition of the Disney Stores North America and a gain on the sale of movies.com (together $0.01 per diluted share) and favorable resolutions of certain prior-year income tax matters ($0.03 per diluted share).

(3) Results for the first quarter of fiscal 2007 include gains from the sales of E! Entertainment and Us Weekly ($0.31 per diluted share) and an equity-based compensation plan modification charge ($0.01 per diluted share).

(4) During fiscal 2007, the Company concluded the spin-off of the ABC Radio business and now reports ABC Radio as discontinued operations for all periods presented (see Note 3 to the Consolidated Financial Statements for further discussion).

Exhibit 10.17

THE WALT DISNEY COMPANY

AMENDED AND RESTATED

1995 STOCK INCENTIVE PLAN

1. PURPOSES

The purposes of the Amended and Restated 1995 Stock Incentive Plan (the "Plan") are to provide long-term incentives and rewards to employees of The Walt Disney Company ("Disney") and its Affiliates (as defined below), to assist Disney in attracting and retaining employees with experience and/or ability on a basis competitive with industry practices and to associate the interests of such employees with those of Disney's stockholders. The Plan permits Disney to make awards in shares of The Walt Disney Company Common Stock (the "Common Stock").

2. EFFECTIVE DATE

The Plan, as amended and restated as provided herein, is effective as of October 2, 2008.

3. ADMINISTRATION OF THE PLAN

The Plan shall be administered by the Compensation Committee of the Board of Directors of Disney (the "Board") or by such other committee or committees of the Board as may be designated by the Board (the Compensation Committee or any other such committee being hereinafter referred to, collectively, as the "Committee"). The Compensation Committee shall be so constituted and empowered as to permit awards granted under the Plan to comply with the "non-employee director" requirements under Rule 16b-3 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and with the "outside director" requirement of Section 162(m) of the Code. Members of any committee acting as the Committee hereunder shall serve at the pleasure of the Board.

The Committee shall have all the powers vested in it by the terms of the Plan, such powers to include exclusive authority (within the limitations described herein) to select the employees to be granted awards under the Plan, to determine the series and/or class of stock in respect of which any awards will be granted, to determine the type, size and terms of awards to be made to each employee selected, to determine the time when awards will be granted, when they will vest, when they may be exercised and when they will be paid, to amend awards previously granted and to establish objectives and conditions, if any, for earning awards and whether awards will be paid after the end of the award period. The Committee shall have full power and authority to administer and interpret the Plan and to adopt such rules, regulations, agreements, guidelines and instruments for the administration of the Plan and for the conduct of its business as the Committee deems necessary or advisable and to interpret same. The Committee's interpretation of the Plan, and all actions taken and determinations made by the Committee pursuant to the powers vested in it hereunder, shall be conclusive and binding on all parties concerned, including Disney, its Affiliates, stockholders, any participants in the Plan and any other employee of Disney or any of its Affiliates.

All employees of Disney and all employees of Disney's Affiliates shall be eligible to participate in the Plan. The Committee, in its sole discretion, shall from time to time designate from among those eligible to participate those employees who are to receive awards under and thereby become participants in the Plan. For purposes of the Plan, "Affiliate" shall mean any entity, as may from time to time be designated by the Committee, that is a subsidiary corporation of Disney (within the meaning of Section 424 of the Code), and each other entity directly or indirectly controlling or controlled by or under common control with Disney. For purposes of this definition, "control" means the power to direct the management and policies of such entity, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meaning correlative to the foregoing.

4. AWARDS

(a) TYPES. Awards under the Plan shall be made with reference to shares of Common Stock and may include, but need not be limited to, stock options (including nonqualified stock options and incentive stock options qualifying under Section 422 of the Code), stock appreciation rights (including free-standing, tandem and limited stock appreciation rights), warrants, dividend equivalents, stock awards, restricted stock, phantom stock, performance shares or other securities or rights that the Committee determines to be consistent with the objectives and limitations of the Plan. The Committee may provide for the issuance of shares of Common Stock as a stock award for no consideration other than services rendered or, to the extent permitted by applicable state law, to be rendered. In the event of an award under which shares of Common Stock are or may in the future be issued for any other type of consideration, the amount of such consideration shall be equal or greater than the amount (such as the par value of such shares) required to be received by Disney in order to assure compliance with applicable state law. The Committee may make any other type of award which it shall determine is consistent with the objectives and limitations of the Plan.

(b) PERFORMANCE GOALS. The Committee may, but need not, establish performance goals to be achieved within such performance periods as may be selected by it in its sole discretion, using such measures of the performance of Disney and/or any one or more of its Affiliates as it may select, for purposes of the granting, vesting, payment or other entitlement to awards under the Plan.

(c) RULES AND POLICIES. The Committee may adopt from time to time written rules and policies implementing the Plan. Such rules and policies may include, but need not be limited to, the type, size and term of awards to be made to participants and the conditions for the exercise or payment of such awards. Rules relating to stock options and free-standing and tandem stock appreciation rights (as distinguished from all other awards, including, without limitation, warrants), attached hereto as Appendix A, have been approved by the Committee. The rules set forth in Appendix A may be amended by the Committee in accordance with the provisions and subject to the limitations set forth in Section 10 of the Plan. The Committee shall determine, in its sole discretion, the extent to which rules and policies that it may adopt in the future shall be subject to the approval of the Disney stockholders and/or limitations on the Committee's authority to amend such rules or policies.

(d) MAXIMUM AWARDS. A participant may be granted multiple awards under the Plan. The maximum numbers of shares of Common Stock subject to awards of stock options, warrants and stock appreciation rights under the Plan that may be granted during any period of five consecutive calendar years to any one individual shall be limited to 30,000,000 shares, determined both individually with respect to each such type of award and in the aggregate with respect to all such types of awards. With respect to awards of stock, restricted stock, phantom stock, performance shares or other forms of award conveying a similar economic benefit (but excluding stock options, warrants and stock appreciation rights): (i) the maximum numbers of shares of Common Stock that may be awarded during any period of five consecutive calendar years to any one individual shall be 6,000,000 shares, and (ii) the maximum numbers of shares of Common Stock that may be granted under such awards to all participants under the Plan shall be 30,967,650 shares, determined both individually with respect to each such type of award and in the aggregate with respect to all such types of awards.

(e) Subject to the anti-dilution adjustment provisions contained in Section 8 of the Plan, without the prior approval of Disney's shareholders, evidenced by a majority of votes cast, neither the Committee nor the Board shall cause the cancellation, substitution or amendment of a stock option or stock appreciation right that would have the effect of reducing the exercise price or base price of such an award previously granted under the Plan, or otherwise approve any modification to such an award that would be treated as a 'repricing' under the then applicable rules, regulations or listing requirements adopted by the New York Stock Exchange.

5. SHARES OF STOCK SUBJECT TO THE PLAN

The shares of Common Stock that may be delivered or purchased or used for reference purposes under the Plan shall not exceed an aggregate of 300,283,369 shares. Shares of Common Stock issued under the Plan may be either authorized but unissued shares or shares held in the Disney's treasury. Any shares subject to an award which for any reason expires or is terminated unexercised or unpaid as to such shares shall again be available for issuance under the Plan.

6. PAYMENT OF AWARDS

The Committee shall determine the extent to which awards shall be payable in cash, shares of Common Stock or any combination thereof or in any other form. The Committee may determine that all or a portion of a payment to a participant under the Plan, whether it is to be made in cash, shares of Common Stock or a combination thereof or any other form, shall be deferred. Deferrals shall be for such periods and upon such terms, conditions and/or limitations as the Committee may determine in its sole discretion.