

CBS CORP
Form 11-K
June 29, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549-1004

FORM 11-K

(Mark One)

/ X / **Annual Report Pursuant to Section 15(d) of the Securities Exchange Act of 1934**

**For the fiscal year ended
December 31, 2008**

Commission file number 001-09553

OR

/ / **Transition Report Pursuant to Section 15(d) of the Securities Exchange Act of 1934**

CBS 401(k) PLAN

(Full title of the plan)

CBS CORPORATION

(Name of issuer of the securities held pursuant to the plan)

**51 West 52nd Street
New York, New York 10019**

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(Address of principal executive offices)

CBS 401(k) PLAN

FINANCIAL STATEMENTS, SUPPLEMENTAL SCHEDULES AND EXHIBIT

DECEMBER 31, 2008

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Report of Independent Registered Public Accounting Firm

To the Participants and Administrator of the

CBS 401(k) Plan

In our opinion, the accompanying statements of net assets available for benefits and the related statement of changes in net assets available for benefits present fairly, in all material respects, the net assets available for benefits of the CBS 401(k) Plan (the Plan) at December 31, 2008 and December 31, 2007, and the changes in net assets available for benefits for the year ended December 31, 2008 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental Schedule of Delinquent Participant Contributions and the Schedule of Assets (Held at End of Year) are presented for the purpose of additional analysis and are not a required part of the basic financial statements but are supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. These supplemental schedules are the responsibility of the Plan's management. The supplemental schedules have been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/ PRICEWATERHOUSECOOPERS LLP

New York, New York

June 29, 2009

CBS 401(k) PLAN

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS

(In thousands)

	At December 31,			
	2008		2007	
Assets				
Cash and cash equivalents	\$		\$	60
Investments, at fair value:				
Investments		2,920,706		2,074,451
Investments in master trust investment accounts (Note 8)				1,594,602
Participant loans		25,637		25,065
Receivables:				
Employer contributions		1,682		
Due from broker for securities sold		600		77
Interest and dividends		5,236		7,024
Total assets		2,953,861		3,701,279
Liabilities				
Accrued expenses and other liabilities		1,093		1,867
Due to broker for securities purchased		402		638
Net assets available for benefits, at fair value		2,952,366		3,698,774
Adjustment from fair value to contract value for fully benefit-responsive investment contracts		(17,387)		(30,165)
Net assets available for benefits	\$	2,934,979	\$	3,668,609

The accompanying notes are an integral part of these financial statements.

CBS 401(k) PLAN

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

(In thousands)

	Year Ended
	December 31, 2008
Additions to net assets attributed to:	
Investment income:	
Dividends	\$ 9,753
Interest	90,943
Contributions:	
Employee	104,024
Employer	35,988
Rollover	5,430
Plan mergers (Note 1):	
Transfer from CNET Networks 401(k) Plan	62,184
Transfer from SignStorey, Inc. 401(k) Profit Sharing Plan and Trust	371
Total additions	308,693
Deductions from net assets attributed to:	
Net depreciation in fair value of investments	(689,331)
Benefits paid to participants	(348,170)
Plan expenses	(4,822)
Total deductions	(1,042,323)
Net decrease	(733,630)
Net assets available for benefits, beginning of year	3,668,609
Net assets available for benefits, end of year	\$ 2,934,979

The accompanying notes are an integral part of these financial statements.

CBS 401(k) PLAN

NOTES TO THE FINANCIAL STATEMENTS

(Tabular dollars in thousands)

NOTE 1 PLAN DESCRIPTION

The following is a brief description of the CBS 401(k) Plan (the "Plan") and is provided for general information only. Participants should refer to the Plan document for more complete information regarding the Plan.

The Plan, sponsored by CBS Corporation (the "Company" or "CBS Corp."), is a defined contribution plan offered on a voluntary basis to eligible employees of the Company and its subsidiaries.

Eligible full-time employees are automatically enrolled in the Plan following the attainment of age 21, unless they elect not to participate. Part-time employees are automatically enrolled in the Plan following the attainment of age 21 and completion of one thousand hours of service within a consecutive twelve-month period, unless they elect not to participate. The Plan is subject to the provisions of the Internal Revenue Code of 1986, as amended, (the "Code") and the Employee Retirement Income Security Act of 1974, as amended, ("ERISA") and is administered by a retirement committee appointed by the Company's Board of Directors (the "Board").

The Bank of New York Mellon (the "Trustee") is the trustee and custodian and Mercer is the recordkeeper of the Plan. Certain Plan investments are shares of funds managed by the Trustee or companies affiliated with the Trustee and therefore qualify as a party-in-interest transaction. The fair value of these investments was \$147.6 million at December 31, 2008 and \$139.4 million at December 31, 2007 and these investments depreciated by \$22.8 million for the year ended December 31, 2008. In addition, certain Plan investments are shares of CBS Corp. common stock and therefore qualify as a party-in-interest transaction. The fair value of these investments was \$66.2 million at December 31, 2008 and \$161.5 million at December 31, 2007 and these investments depreciated by \$122.1 million for the year ended December 31, 2008. During the year ended December 31, 2008, the Plan purchased \$33.8 million shares of CBS Corp. common stock and sold \$3.5 million shares of CBS Corp. common stock.

Plan Mergers

During the second quarter of 2008, the Company completed the acquisition of CNET Networks, Inc. ("CNET"). Effective December 31, 2008, the CNET Networks 401(k) Plan (the "CNET Plan"), including net assets of \$62,183,590, was merged into the Plan and all active participants in the CNET Plan were eligible to participate in the Plan. In connection with the plan merger, participants' accounts were liquidated and reinvested into the Plan's funds that the investment committee determined to be of a similar nature. Investments in the CNET Plan included a fixed

CBS 401(k) PLAN

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Tabular dollars in thousands)

income fund that will be liquidated over a twelve-month period. For those investments merged into the Plan, former CNET Plan participants will continue to vest in their accounts in accordance with the original terms of the CNET Plan.

During the fourth quarter of 2007, the Company completed the acquisition of SignStorey, Inc. (SignStorey). Effective as of May 5, 2008, the SignStorey Inc. 401(k) Profit Sharing Plan & Trust (the SignStorey Plan), including net assets of \$370,763, were merged into the Plan and all active participants in the SignStorey Plan were eligible to participate in the Plan. In connection with the plan merger, participants' accounts were invested into the funds that the investment committee determined to be of a similar nature.

Participant Accounts

Each participant's account is credited with the participant's contributions, the employer matching contributions, the participant's share of the investment income (loss) and any realized or unrealized gains or losses of the Plan's assets, net of certain plan expenses.

Plan participants have the option of investing their contributions or existing account balances among various investment options. These investment options included commingled trust funds (common collective trusts), registered investment companies (mutual funds), separate accounts, which primarily invest in common stocks and mutual funds a fixed income fund, consisting primarily of guaranteed investment contracts and synthetic guaranteed investment contracts, and CBS Corp. Class B Common Stock.

During 2007, the Plan was amended to convert the portion of the Plan invested in CBS Corp. Class A and B Common Stock to an Employee Stock Ownership Plan (ESOP). As a result, when cash dividends on CBS Corp. Common Stock are paid to the ESOP, Plan participants have the option to elect to have dividends paid on vested shares either distributed to them or reinvested in the ESOP account in CBS Corp. Class B Common Stock. If a participant does not make an election, the dividends are reinvested in the ESOP account.

Participants may also elect to open a self-directed brokerage account (SDA). Participants may not contribute directly to the SDA, but may transfer balances to the SDA from other investment funds except the fixed income fund. A participant may transfer up to 25% of his or her account balance (net of loans) to the SDA. The initial transfer to the SDA may not be less than \$2,500 and there is no minimum for subsequent individual transfers.

CBS 401(k) PLAN

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Tabular dollars in thousands)

Contributions

The Plan permits participants to contribute up to 15% of annual compensation on an after-tax basis or 50% on a before-tax or combination basis, subject to the Code limitations set forth below. During 2008, the plan was amended to allow participants to make Roth 401(k) contributions on an after-tax basis. Roth 401(k) contributions and the related earnings can be withdrawn tax-free if certain requirements are met. Prior to January 1, 2008, the Plan only permitted participants to contribute up to 15% of annual compensation on a before-tax, after-tax or combination basis, subject to Code limitations. The level of employer matching contributions is entirely at the discretion of the Board for all participants in the Plan. For 2008, the Board set the employer's matching contribution at 60% of the first 5% of eligible compensation contributed on a before-tax basis.

Employer matching contributions are initially invested entirely in CBS Corp. Class B Common Stock. Participants are permitted to immediately transfer their Company matching contributions out of CBS Corp. Class B Common Stock and into any other investment option.

Eligible full-time newly hired employees are immediately eligible to participate in the Plan and deemed to have authorized the Company to make before-tax contributions in the Plan in an amount equal to 5% of the employee's eligible compensation upon his or her date of hire. Any such deemed authorization takes effect following the 60th day the employee becomes eligible to participate in the Plan. However, a deemed authorization does not take effect if, during the 60-day period the employee elects not to participate in the Plan or to participate at a different contribution rate. Prior to January 1, 2008, the period in which the deemed authorization takes effect was 45 days.

All participants who have attained age 50 before the close of the calendar year are eligible to make catch-up contributions. These contributions are not treated as matchable contributions. Catch-up contributions can be made if the eligible participants make the maximum contribution permitted under the Plan for a plan year. The limit for catch-up contributions is \$5,000 in 2008.

The Code limits the amount of annual participant contributions that can be made on a before-tax basis to \$15,500 for 2008. Total compensation considered under the Plan, based on Code limits, may not exceed \$230,000 for 2008. The Code also limits annual aggregate participant and employer contributions to the lesser of \$46,000 or 100% of compensation in 2008. All contributions made to the Plan on an annual basis may be further limited due to certain non-discrimination tests prescribed by the Code.

Vesting

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Participants in the Plan are immediately vested in their own contributions and earnings thereon. Employer matching contributions vest at 20% per year of service, becoming fully vested after

CBS 401(k) PLAN

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Tabular dollars in thousands)

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five years of service. If participants terminate employment prior to being vested in their employer matching contributions, the non-vested portion of their account is forfeited and may be used to reduce future employer matching contributions and to pay administrative expenses. Forfeitures are recorded at the time vested benefits are distributed. Employer matching contributions of approximately \$1,507,000 and \$3,194,000 were forfeited in 2008 and 2007, respectively. The Company utilized forfeitures of approximately \$647,000 to pay administrative expenses during 2008. There were no forfeitures used to reduce matching contributions during 2008. As of December 31, 2008 and 2007, the Company had forfeitures of approximately \$2,106,000 and \$1,164,000, respectively, available to be used as noted above.

Loans Outstanding

Eligible participants may request a loan for up to the lesser of 50% of the participant's vested account balance or \$50,000, reduced by the highest outstanding balance of any Plan loan made to the participant during the twelve-month period ending on the day before the loan is made. The minimum loan available to a participant is \$500. The interest rate on participant loans is one percentage point above the annual prime commercial rate (as published in The Wall Street Journal) on the first day of the calendar month in which the loan is approved. Principal and interest is payable through payroll deductions. Only one loan may be outstanding at any time. Participants may elect repayment periods from 12 to 60 months commencing as soon as administratively possible following the distribution of the loan proceeds to the participant. The Plan allows participants to elect a repayment term of up to 300 months for loans used for the acquisition of a principal residence. Repayments of loan principal and interest are allocated in accordance with the participants' then current investment elections.

The loans outstanding carry interest rates ranging from 4.01% to 11.50% as of December 31, 2008.

Distributions and Withdrawals

Earnings on both employee and employer contributions are not subject to income tax until they are distributed or withdrawn from the Plan.

Participants in the Plan, or their beneficiaries, may receive their vested account balances in a lump sum or in installments over a period of up to 20 years in the event of retirement, termination of employment, disability or death. In the event of termination of employment, participants may also elect partial distribution of their account balance. In general, participants must receive a required minimum distribution upon attainment of age 70 1/2 unless they are still employed.

CBS 401(k) PLAN

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Tabular dollars in thousands)

Participants in the Plan may withdraw part or all of their after-tax and rollover contributions. Upon attainment of age 59 1/2, participants may also withdraw all or part of their before-tax contributions and earnings thereon. The Plan limits participants to two of the above withdrawal elections in each calendar year.

A participant may obtain a financial hardship withdrawal of the vested portion of employer matching contributions and before-tax contributions provided that the requirements for hardship are met and only to the extent required to relieve such financial hardship. There is no restriction on the number of hardship withdrawals permitted.

When a participant terminates employment with the Company, the full value of employee contributions and earnings thereon plus the value of all vested employer matching contributions can be rolled over to a tax qualified retirement plan or an IRA or remain in the Plan rather than being distributed. If the vested account balance is \$1,000 or less and the participant does not make an election to rollover the vested account balance it will be automatically paid in a single lump sum cash payment and taxes will be withheld from the distribution.

Plan Expenses

The fees for investment of Plan assets are charged to the Plan's investment funds. Certain administrative expenses such as fees for accounting and employee communications may be paid by the Plan using forfeitures as described above or may be paid by the Company. Recordkeeping and trustee fees are paid from participant accounts. For 2008, \$356,579 was paid to the Trustee, a party-in-interest, or its affiliates for trustee services provided during the year.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements are prepared on the accrual basis of accounting in conformity with accounting standards generally accepted in the United States of America. Certain previously reported amounts have been reclassified to conform to the current presentation.

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In accordance with the Financial Accounting Standards Board (FASB) Staff Position (FSP) AAG INV-1 and SOP 94-1-1 Reporting of Fully Benefit-Responsive Investment Contracts Held by Certain Investment Companies Subject to the AICPA Investment Company Guide and Defined-Contribution Health and Welfare Pension Plans , contract value was determined to be the relevant measurement attribute for the portion of net assets available for benefits attributable to fully benefit-responsive investment contracts because contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the Plan. As a result, the Statement of Net Assets Available for Benefits presents the investments at fair value

CBS 401(k) PLAN

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Tabular dollars in thousands)

with a separate adjustment from fair value to contract value for the portion of net assets attributable to each fully benefit-responsive investment contract. The Statement of Changes in Net Assets Available for Benefits is prepared on a contract value basis with respect to the fully benefit-responsive investment contracts.

Investment Valuation and Income Recognition

Short-term money market investments are carried at amortized cost which approximates fair value due to the short-term maturity of these investments. Investments in common stock are reported at fair value based on quoted market prices on national security exchanges. Investments in registered investment companies are reported at fair value based on quoted market prices representing the net asset value of the shares held by the Plan. The fair value of investments in separate accounts is determined by the Trustee based upon the fair value of the underlying securities. The fair values of investments in common collective trusts are determined using the Net Asset Value (NAV) provided by the administrator of the fund. The NAV is determined by each fund's trustee based upon the fair value of the underlying assets owned by the fund, less liabilities, divided by the number of outstanding units. The fair value of fixed income securities is determined by independent pricing sources based on quoted market prices, when available, or using valuation models which incorporate certain other observable inputs including recent trading activity for comparable securities and broker quoted prices. Participant loans are recorded at cost, which approximates fair value. Cash and cash equivalents are valued at cost plus accrued interest, which approximates market value. Interest income is accrued as earned and dividend income is recorded on the ex-dividend date.

The Plan invests in benefit-responsive synthetic and traditional guaranteed investment contracts through a fixed income fund. The contract value of guaranteed investment contracts and synthetic investment contracts represents the aggregate amount of deposits thereto, plus interest at the contract rate, less withdrawals. The fair value of the fixed rate traditional guaranteed investment contracts is determined by discounting the related cash flows, based on the contract duration, using a yield curve interpolated from swap rates and adjusted for liquidity and credit quality. The fair value of synthetic guaranteed investment contracts is determined based on quoted market prices for the underlying assets. The fair value of the wrapper contracts for synthetic guaranteed investment contracts is determined using the replacement cost methodology that incorporates various inputs including the difference between the market rate for wrap fees and the actual wrap fees currently charged.

Security Transactions

Purchases and sales of securities are recorded on the trade date. The average cost basis is used to determine gains or losses on security dispositions.

CBS 401(k) PLAN

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Tabular dollars in thousands)

The Plan presents in the Statement of Changes in Net Assets Available for Benefits, the net appreciation or depreciation in the fair value of its investments, which consists of the realized gains and losses and the unrealized appreciation and depreciation on those investments which are presented at fair value.

Interest in Master Trust Investment Accounts

The Company entered into a master trust agreement (the Master Trust) to invest the assets of the Plan, as well as other plans sponsored by the Company. Pursuant to the Master Trust, the Trustee had created seven master trust investment accounts (MTIAs). The other plans sponsored by the Company were subsequently merged into the Plan, thereby eliminating the need for the MTIA structure and effective January 1, 2008, the MTIA structure was eliminated. During 2007, The MTIAs consisted of the INVESCO Fund, the Wellington Growth Portfolio, the Barclays Global Investors S&P 500 Index Fund, Mellon Bank EB SMAM Aggregate Bond Index Fund, Mellon Capital Tactical Asset Allocation Fund, Dodge & Cox Value Equity Fund and Franklin Portfolio Mid Cap Stock Fund. Each of these MTIAs was maintained exclusively for the Master Trust.

The fair value of a unit of participation in the MTIAs was determined by the Trustee based on the fair value of the underlying securities. Net investment assets and net earnings/losses on the MTIAs were allocated daily to the plans investing in the MTIAs based on each plan's proportionate interest. The Plan's interest in the MTIAs' related earnings and expenses was allocated to participants based on their respective account balances invested in the MTIAs. (See Note 8).

Investments in Derivatives

As part of their investment strategy, the managers of certain of the Plans investment funds may enter into derivative contracts for various purposes including, managing exposure to sector risk or movements in interest rates, extending the duration of the life of the investment portfolio and as a substitute for cash securities. The derivative instruments typically used are interest rate swaps and futures. When using derivative transactions there is exposure to credit loss in the event of nonperformance by counterparties to these agreements. The Plan's investment managers continually monitor its positions with, and credit quality of, the financial institutions which are counterparties to its derivative instruments. Nonperformance by any of the counterparties is not anticipated.

Interest rate swaps are recorded at fair value on the Statement of Net Assets Available for Benefits and marked- to- market through the duration of the contract term with an offsetting

CBS 401(k) PLAN

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Tabular dollars in thousands)

increase to unrealized appreciation (depreciation). The fair value upon settlement is recorded as a realized gain (loss). The notional amount of open swap contracts was \$266.1 million at December 31, 2008. The fair value of swap contracts recorded on the Statement of Net Assets Available for Benefits was (\$15.7) million at December 31, 2008 and \$6.9 million at December 31, 2007.

Futures are marked-to-market and settled daily. The daily receipt or payment is recognized as unrealized appreciation (depreciation) until the contract is closed at which time the total fair value of the futures contract is recognized as a realized gain (loss) in the Statement of Changes in Net Assets Available for Benefits. The total notional amount of outstanding futures contracts was \$717.0 million at December 31, 2008.

Payment of Benefits

Benefit payments are recorded when paid.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Plan to make estimates and assumptions, such as those regarding fair value of investments, that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of changes in net assets available for benefits during the reporting period. Actual results could differ from those estimates.

Adoption of New Accounting Standards

Effective January 1, 2008, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 157, Fair Value Measurements (SFAS 157) for the Plan's financial assets and liabilities. SFAS 157 establishes a framework for measuring fair value under generally accepted accounting principles and expands disclosures about fair value measurement. (See Note 7).

Recent Pronouncements

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In March 2008, the FASB issued SFAS No. 161, Disclosures about Derivative Instruments and Hedging Activities an amendment of FASB Statement No. 133 (SFAS 161) effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. SFAS 161 requires an entity to provide enhanced disclosures about derivative instruments and hedging activities. The Plan administrator is currently evaluating the impact of the adoption of SFAS 161 on the Plan s financial statements.

CBS 401(K) PLAN**NOTES TO THE FINANCIAL STATEMENTS (Continued)****(Tabular dollars in thousands)****NOTE 3 RISKS AND UNCERTAINTIES**

The Plan provides for various investment options. Investment securities are exposed to various risks such as interest rate, market and credit. Market values of investments could decline for several reasons including, changes in prevailing market and interest rates, increases in defaults, and credit rating downgrades. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of such securities, it is at least reasonably possible that changes in investment values in the near term could materially affect participants' account balances and the amounts reported in the Statements of Net Assets Available for Benefits and the related Statement of Changes in Net Assets Available for Benefits.

NOTE 4 INVESTMENTS

The following table presents the Plan's investments, at fair value:

	At December 31,	
	2008	2007
Investments at fair value as determined by quoted market prices:		
Wellington Growth Portfolio		
Common stock	\$ 73,843	\$
Mutual funds	681	
Cash and cash equivalents	4,758	
Dodge & Cox Value Equity Fund		
Common stock	59,725	
Mutual funds	2,630	
Cash and cash equivalents	6,618	
Franklin Portfolio Mid Cap Stock Fund		
Common stock	33,616	
Mutual funds	232	
Cash and cash equivalents	8,823	
Mutual funds	84,448	359,828
Common stock	74,282	174,823
Other	792	1,386
	350,448	536,037
Investments at estimated fair value:		
Common collective trusts	740,077	246,219
Guaranteed investment contracts	115,851	96,231

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Synthetic guaranteed investment contracts	1,714,330	1,195,964
	2,570,258	1,538,414
Investments, at fair value	\$ 2,920,706	\$ 2,074,451

CBS 401(K) PLAN**NOTES TO THE FINANCIAL STATEMENTS (Continued)****(Tabular dollars in thousands)**

Individual investments representing 5% or more of the Plan's net assets available for benefits are identified below:

	At December 31,	
	2008	2007
Barclays Global Investors S&P 500 Index Fund	\$ 390,229	\$ 643,412
INVESCO Fund MTIA, at contract value	\$	\$ 574,660
Synthetic guaranteed investment contracts, at contract value:		
Monumental Life Insurance MDA00930TR	\$ 485,614	\$
Monumental Life Insurance MDA00303TR	\$	\$ 460,079
JPMorgan Chase Bank ACBS-01	\$ 398,691	\$
Union Bank of Switzerland No. 3071	\$	\$ 378,730
Natixis Financial Products, Inc. No. 1222-01	\$ 312,035	\$ 296,572
State Street Bank and Trust Co. No. 108002	\$ 264,178	\$
Natixis Financial Products, Inc. No. 1222-02	\$ 201,429	\$

During the year ended December 31, 2008 the Plan's investments (including gains and losses on investments sold and held during the year) depreciated as follows:

Commingled trusts	\$	398,477
Separate accounts (common stock and mutual funds)		126,760
Common stocks		128,751
Mutual funds		34,678
Other		665
Net depreciation	\$	689,331

Investment Contracts

The Plan invests in guaranteed investment contracts and synthetic guaranteed investment contracts. As described in Note 2, the guaranteed investment contracts are fully benefit-responsive and therefore, contract value is the relevant measurement attribute for that portion of the net assets available for benefits attributable to these contracts. In a guaranteed investment contract, a deposit in the fund is used by the issuer to purchase investments that are held in the issuer's general accounts. The issuer is contractually obligated to repay the principal and a specified rate of interest guaranteed to the fund. There are no reserves against contract value for credit risk of the contract issuer or otherwise. A synthetic guaranteed investment contract provides for guaranteed returns of principal over a specified period of time through benefit responsive wrapper contracts, issued by a third party insurance company or bank, which are backed by underlying assets.

The interest crediting rate reflects the rate earned by participants for the underlying investments. The wrapper contracts amortize the realized and unrealized gains and losses on the underlying fixed

CBS 401(K) PLAN

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Tabular dollars in thousands)

income investments, typically over the duration of the investments, through adjustments to the future interest crediting rate. Interest crediting rates are typically reset on a monthly or quarterly basis and all wrapper contract issuers provide that adjustments to the interest crediting rate cannot result in a future interest crediting rate that is less than zero. Certain factors can influence the future interest crediting rates including, the level of market interest rates, the amount and timing of participant contributions and withdrawals, the returns generated by the fixed income investments that back the contract and the duration of the underlying investments backing the contract.

In certain circumstances, the amounts withdrawn from the investment contracts will be paid at fair value rather than contract value. These events include plan termination, a material adverse change to the provisions of the plan, an employer election to withdraw from the contract to switch to a different investment provider or if the terms of a successor plan do not meet the contract issuer's underwriting criteria for issuance of a clone contract. The Company does not expect any employer initiated events that may cause premature liquidation of a contract at market value.

The contract issuer is permitted to terminate the fully benefit-responsive investment contracts with the Plan and settle at an amount different from contract value in certain events, including loss of the Plan's qualified status, an un-cured material breach of responsibility, or material adverse changes to the provisions of the Plan.

At December 31, 2008 and 2007, guaranteed investment contracts and synthetic guaranteed investment contracts at contract value of \$1,812,794,136 and \$1,840,437,844, respectively, had fair values in the aggregate of \$1,830,181,137 and \$1,870,602,798, respectively. The fair value of wrapper contracts was \$3,034,164 and \$502,810 at December 31, 2008 and 2007, respectively.

The average yields for investment contracts in the fixed income fund were as follows:

	At December 31,	
	2008	2007
Based on actual earnings	4.5%	4.8%
Based on interest rate credited to participants	4.3%	5.0%

The following table presents the fair value of the assets, by type, that support the Plan's synthetic guaranteed investment contracts held in the fixed income fund at December 31, 2008 and 2007. The INVESCO Fund, which also held synthetic guaranteed investment contracts at December 31, 2007, was included in the MTIAs. (See Note 8).

CBS 401(K) PLAN**NOTES TO THE FINANCIAL STATEMENTS (Continued)****(Tabular dollars in thousands)**

		At December 31,			
		2008		2007	
Cash and cash equivalents	\$	132,564	\$	49,663	
Common collective trusts		432,011		410,761	
Fixed income		1,232,995		759,267	
Futures				28	
Swaps		(15,667)		6,855	
Wrapper value		3,034		503	
Net payables		(70,607)		(31,113)	
Synthetic guaranteed investment contracts	\$	1,714,330	\$	1,195,964	

NOTE 5 - INCOME TAX STATUS

The Internal Revenue Service issued a favorable determination letter dated May 20, 2003, that the Plan continues to satisfy the requirements of Section 401(a) of the Code and that the trust thereunder is exempt from federal income taxes under the provisions of Section 501(a) of the Code. The Plan has been amended since receiving the determination letter and was restated effective January 1, 2008. The Plan administrator believes that the Plan is designed and is currently being operated in compliance with the applicable provisions of the Code. On February 2, 2009, the restated Plan was submitted to the Internal Revenue Service for routine periodic review and to obtain an updated determination letter.

NOTE 6 TERMINATION PRIORITIES

Although the Company anticipates that the Plan will continue indefinitely, it reserves the right, by action of its Board, to amend or terminate the Plan provided that such action does not retroactively reduce earned participant benefits.

In the event of Plan termination, participants become fully vested. Upon termination, the Plan provides that the net assets of the Plan would be distributed to participants based on their respective account balances.

CBS 401(K) PLAN**NOTES TO THE FINANCIAL STATEMENTS (Continued)****(Tabular dollars in thousands)****NOTE 7 - FAIR VALUE MEASUREMENTS**

The following table sets forth the Plan's financial assets measured at fair value on a recurring basis at December 31, 2008. These assets have been categorized according to the three-level fair value hierarchy established by SFAS 157, which prioritizes the inputs used in measuring fair value. See Note 2 for the valuation methodology used to measure the fair value of these investments.

	Level 1 (a)	Level 2 (b)	Level 3 (c)	Total
Common collective trusts	\$	\$ 740,077	\$	\$ 740,077
Separate accounts (common stock and mutual funds)	187,383	3,543		190,926
Common stock	74,282			74,282
Mutual funds	53,400	31,048		84,448
Guaranteed investment contracts			115,851	115,851
Synthetic guaranteed investment contracts	204,323	1,506,973	3,034	1,714,330
Participant loans			25,637	25,637
Other	792			792
Total	\$ 520,180	\$2,281,641	\$ 144,522	\$2,946,343

- (a) Level 1 valuation is based on quoted prices for the asset in active markets.
- (b) Level 2 valuation is based on inputs that are observable other than quoted market prices in Level 1, such as quoted prices for the asset in inactive markets or quoted prices for similar assets.
- (c) Level 3 valuation is based on unobservable inputs reflecting the Company's own assumptions about the assumptions that market participants would use in pricing the asset.

CBS 401(K) PLAN**NOTES TO THE FINANCIAL STATEMENTS (Continued)****(Tabular dollars in thousands)**

The table below sets forth a summary of changes in the fair value of the Plan's level 3 assets for the year ended December 31, 2008.

	Guaranteed Investment Contracts	Synthetic Guaranteed Investment Contracts(a)	Participant Loans
Balance, beginning of year	\$ 96,231	\$ 503	\$ 25,065
Realized gains	800		
Unrealized gains/(losses) related to instruments still held at the reporting date	4,872	2,531	
Transfer from the CNET Plan	13,074		445
Purchases, sales, issuances and settlements (net)	874		127
Balance, end of year	\$ 115,851	\$ 3,034	\$ 25,637

(a) Reflects fair value of related wrapper contracts.

NOTE 8 - INVESTMENT IN MASTER TRUST INVESTMENT ACCOUNTS

The MTIAs were created by the Trustee to invest the assets of the Plan as well as other plans previously sponsored by the Company. These other plans were subsequently merged into the Plan and, effective January 1, 2008, the MTIA structure was eliminated.

The value of the Plan's interest in the total net assets of each of the MTIAs at December 31, 2007 was as follows:

Barclays Global Investors S&P 500 Index Fund	100.00%
Dodge & Cox Value Equity Fund	100.00%
Franklin Portfolio Mid Cap Stock Fund	100.00%
INVESCO Fund	100.00%
Mellon Bank EB SMAM Aggregate Bond Index Fund	100.00%
Mellon Capital Tactical Asset Allocation Fund	100.00%
Wellington Growth Portfolio	100.00%

See Note 2 for a description of the MTIAs.

CBS 401(K) PLAN

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Tabular dollars in thousands)

The following table presents the net investments held by the MTIAs at December 31, 2007.

Barclays Global Investors S&P 500 Index Fund (a)	\$	643,445
Dodge & Cox Value Equity Fund, at fair value:		
Common stocks		111,317
Common collective trust		2,494
Franklin Portfolio Mid Cap Stock Fund, at fair value:		
Common stocks		59,994
Common collective trust		248
INVESCO Fund, at fair value:		
Group trusts		556,266
Short term investment funds		24,332
Mellon Bank EB SMAM Aggregate Bond Index Fund (a)		55,852
Mellon Capital Tactical Asset Allocation Fund (a)		8,475
Wellington Growth Portfolio, at fair value:		
Common stocks		129,861
Preferred stocks		967
Common collective trust		3,531
Net payables		(2,180)
Net investments held by the MTIAs	\$	1,594,602

(a) Invested entirely in commingled trust funds.

NOTE 9 - RECONCILIATION OF FINANCIAL STATEMENTS TO FORM 5500

The following is a reconciliation of net assets available for benefits per the financial statements to the Form 5500:

	At December 31,	
	2008	2007
Net assets available for benefits per the financial statements	\$ 2,934,979	\$ 3,668,609
Amounts allocated to withdrawing participants	(309)	
Adjustment from contract value to fair value for fully benefit -responsive investment contracts	17,387	

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Net assets available for benefits per the Form 5500	\$	2,952,057	\$	3,668,609
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CBS 401(K) PLAN

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Tabular dollars in thousands)

The following is a reconciliation of the net decrease in net assets available for benefits as reflected in the financial statements to the Form 5500:

	Year Ended December 31, 2008
Net decrease in net assets available for benefits per the financial statements	\$ (733,630)
Add: Amounts allocated to withdrawing participants at December 31, 2008	(309)
Less: Amounts allocated to withdrawing participants at December 31, 2007	
Adjustment from contract value to fair value for fully benefit- responsive investment contracts	17,387
Net decrease in net assets available for benefits per the Form 5500	\$ (716,552)

Amounts allocated to withdrawing participants are recorded on the Form 5500 for benefit claims that have been processed and approved for payment prior to December 31, 2008, but were not paid as of that date.

SCHEDULE H, line 4a

CBS 401 (k) PLAN

SCHEDULE OF DELINQUENT PARTICIPANT CONTRIBUTIONS

For the year ended December 31, 2008

(Dollars in thousands)

Total that Constitute Nonexempt Prohibited Transactions					Total Fully Corrected Under VFCP and PTE 2002-51
Participant Contributions Transferred Late to Plan		Contributions Not Corrected	Contributions Corrected Outside VFCP	Contributions Pending Correction in VFCP	
\$	50			\$	50

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CBS 401 (k) PLAN

SCHEDULE OF ASSETS (HELD AT END OF YEAR)

December 31, 2008

(Dollars in thousands)

Identity of issuer, borrower, lessor or similar party	Maturity and Interest Rates	Cost(4)	Current Value	Wrapper Value
<u>Self Directed Accounts</u>			\$ 12,317	\$ -
<u>Corporate Common Stock:</u>				
* (1) CBS Corporation Class A Common Stock			266	-
* (1) CBS Corporation Class B Common Stock			65,910	-
Total Corporate Common Stock			66,176	-
<u>Mutual Funds</u>				
DFA U.S. Small Cap Fund			49,981	-
Dreyfus Government Cash Management				
* Fund			25,674	-
Federated Prime Obligations Fund				
Class TR			5,374	-
Total Mutual Funds			81,029	-
<u>Commingled Trust Funds:</u>				
Barclays Global Investors S&P 500 Index Fund			390,229	-
* Standish Aggregate Bond Index Fund			79,239	-
Capital Guardian Intl Equity Fund			67,677	-
Barclays Global Investors LifePath 2020 Fund			67,053	-
Capital Guardian Emerging Markets Equity Fund			50,823	-
Barclays Global Investors LifePath 2040 Fund			37,589	-
Barclays Global Investors LifePath 2010 Fund			23,885	-
Barclays Global Investors LifePath 2035 Fund			6,141	-
Barclays Global Investors LifePath Retirement Fund			5,600	-
Barclays Global Investors LifePath 2030 Fund			4,293	-
Barclays Global Investors LifePath 2015 Fund			3,344	-
Barclays Global Investors LifePath 2025 Fund			2,350	-

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Barclays Global Investors LifePath 2045 Fund		1,054	-
Barclays Global Investors LifePath 2050 Fund		800	-
Total Commingled Trust Funds		740,077	-
<u>Separate Accounts:</u>			
(2) Wellington Growth Portfolio		79,282	-
(2) Dodge & Cox Value Equity Fund		68,973	-
* (2) Franklin Portfolio Mid Cap Stock Fund		42,671	-
Total Separate Accounts		190,926	-
<u>Guaranteed Investment Contracts, at contract value:</u>			
Prudential Insurance Company of America G-10112-215	12/10/2013 and 5.09%	25,637	-
Jackson National Life Insurance Company G-1378-3	12/01/2009 and 4.39%	21,745	-
Jackson National Life Insurance Company G-1378-4	12/2/2013 and 5.32%	20,436	-
Security Life of Denver Insurance Company SA-0556	7/01/2009 and 5.01%	19,435	-
Prudential Insurance Company of America GA-10112-213	9/01/2009 and 4.27%	13,855	-
New York Life GA-25200028	12/1/2009 and 4.48%	13,074	-
Total Guaranteed Investment Contracts		114,182	-
<u>Synthetic Guaranteed Investment Contracts, at contract value:</u>			
(3) Monumental Life Insurance Company MDA00930TR	evergreen and variable%	485,614	-
(3) JPMorgan Chase Bank ACBS-01	evergreen and variable%	398,691	-
(3) Natixis Financial Products, Inc. No. 1222-01	evergreen and variable%	312,035	-
(3) State Street Bank and Trust Co. No. 108002	evergreen and variable%	264,178	-
(3) Natixis Financial Products, Inc. No. 1222-02	evergreen and variable%	201,429	-
(3) Natixis Financial Products, Inc. BR-222-25	4/27/2011 and 4.41%	36,665	-
Total Synthetic Guaranteed Investment Contracts		1,698,612	-
Various maturities and interest rates ranging from 4.01% to 11.50%			
* Loans to Participants		25,637	-
Total Assets		2,928,956	-
Less: Adjustment from fair value to contract value for fully benefit-responsive investment contracts		17,387	3,034
Total Assets, at fair value		\$ 2,946,343	\$ 3,034

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* Identified as a party-in-interest to the Plan.

- (1) A portion of these assets are held in the self-directed accounts.
- (2) Refer to Attachment A for listing of assets relating to these contracts.
- (3) Refer to Attachment B for listing of assets relating to these contracts.
- (4) There are no non-participant directed investments.

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Attachment A

(In thousands)

Identity of Issuer	Description	Cost	Current Value
ABB LTD SPONSORED ADR	COMMON STOCK	\$	863
ABBOTT LABS COM	COMMON STOCK		2,093
ACCENTURE LTD BERMUDA CL A	COMMON STOCK		1,640
ALTERA CORP COM	COMMON STOCK		923
AON CORP COM	COMMON STOCK		983
APOLLO GROUP INC CL A	COMMON STOCK		1,534
APPLE INC	COMMON STOCK		673
AUTOMATIC DATA PROCESSING INC	COMMON STOCK		1,011
CAMECO CORP	COMMON STOCK		269
CATERPILLAR INC	COMMON STOCK		768
CISCO SYS INC COM	COMMON STOCK		1,661
COVIDIEN LIMITED	COMMON STOCK		1,396
CUMMINS INC COM	COMMON STOCK		488
DEERE & CO COM	COMMON STOCK		1,263
DREYFUS GOVT CASH MGMT FUND	MUTUAL FUND		681
EATON CORP	COMMON STOCK		530
ELECTRONIC ARTS	COMMON STOCK		736
EOG RES INC COM	COMMON STOCK		702
FLUOR CORP NEW COM	COMMON STOCK		73
FOCUS MEDIA HLDG LTD SPONSORED	COMMON STOCK		115
FOSTER WHEELER LTD	COMMON STOCK		140
GENENTECH INC	COMMON STOCK		1,104
GENERAL DYNAMICS CORP COM	COMMON STOCK		1,317
GENZYME CORP COM	COMMON STOCK		856
GOLDMAN SACHS GROUP INC COM	COMMON STOCK		1,462
GOOGLE INC CL A	COMMON STOCK		1,578
HALLIBURTON CO COM	COMMON STOCK		1,005
HESS CORP	COMMON STOCK		671
HEWLETT PACKARD CO COM	COMMON STOCK		1,626
HONEYWELL INTL INC COM	COMMON STOCK		1,002
IBM CORP COM	COMMON STOCK		1,040
ILLINOIS TOOL WKS INC COM	COMMON STOCK		494
KOHL'S CORP COM	COMMON STOCK		466
LOCKHEED MARTIN CORP COM	COMMON STOCK		1,987
MANPOWER INC WIS	COMMON STOCK		561
MARSH & MCLENNAN COS INC COM	COMMON STOCK		1,092
MCAFEЕ INC	COMMON STOCK		1,093
MCKESSON CORP COM	COMMON STOCK		1,085
MEDTRONIC INC COM	COMMON STOCK		862
MERCK & CO INC COM	COMMON STOCK		757
METLIFE INC COM	COMMON STOCK		919
METROPCS COMMUNICATIONS INC	COMMON STOCK		865
MICROSOFT CORP COM	COMMON STOCK		2,852
MONSANTO CO NEW COM	COMMON STOCK		908
MOODYS CORP COM	COMMON STOCK		590
NESTLE SA SPON ADR REPSTG REG	COMMON STOCK		1,676
NETAPP INC COM	COMMON STOCK		740
NIKE INC CL B COM	COMMON STOCK		742
NORFOLK SOUTHN CORP COM	COMMON STOCK		240
NORTEL NETWORKS CORP NEW COM	COMMON STOCK		0
OCCIDENTAL PETE CORP COM	COMMON STOCK		1,065
ORACLE CORPORATION COM	COMMON STOCK		3,026
PEPSICO INC COM	COMMON STOCK		961
PETROLEO BRASILEIRO SA	COMMON STOCK		390
PRECISION CASTPARTS CORP	COMMON STOCK		1,090
QUALCOMM INC	COMMON STOCK		1,460

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RAYTHEON CO COM NEW	COMMON STOCK	1,738
RESEARCH IN MOTION LTD COM	COMMON STOCK	723
SCHLUMBERGER LTD COM	COMMON STOCK	1,034
SIEMENS AG SPONSORED ADR	COMMON STOCK	788
ST JUDE MED INC COM	COMMON STOCK	924
STAPLES INC COM	COMMON STOCK	1,150
TARGET CORP COM	COMMON STOCK	1,051
TEVA PHARMACEUTICAL INDS ADR	COMMON STOCK	1,355
TJX COS INC NEW COM	COMMON STOCK	1,176
TRANSOCEAN LTD ZUG NAMEN-AKT	COMMON STOCK	460
ULTRA PETE CORP	COMMON STOCK	478
UNITEDHEALTH GROUP INC COM	COMMON STOCK	1,195
VERISIGN INC COM	COMMON STOCK	515
VIACOM INC NEW CL B	COMMON STOCK	1,027
VISA INC COM CL A	COMMON STOCK	1,021
WELLS FARGO & CO NEW COM	COMMON STOCK	1,122
WESTERN UN CO COM	COMMON STOCK	1,732
WYETH COM	COMMON STOCK	914
CASH	CASH AND CASH EQUIVALENTS	4,758
	WELLINGTON GROWTH PORTFOLIO	\$ 79,282
AEGON N V AMERICAN NY REGISTRY	COMMON STOCK	\$ 242
AMERICAN INTL GROUP INC COM	COMMON STOCK	213
AMGEN INC	COMMON STOCK	2,114
AUTODESK INC COM	COMMON STOCK	26
BAKER HUGHES INC COM	COMMON STOCK	1,268
BMC SOFTWARE INC COM	COMMON STOCK	433
BOSTON SCIENTIFIC CORP COM	COMMON STOCK	774
CADENCE DESIGN SYS INC COM	COMMON STOCK	92
CAPITAL ONE FINL CORP	COMMON STOCK	1,435
CARDINAL HEALTH INC COM	COMMON STOCK	1,431

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Identity of Issuer	Description	Cost	Current Value
CARMAX INC	COMMON STOCK		118
CEMEX SAB DE CV SPONS ADR NEW	COMMON STOCK		183
CHEVRON CORPORATION COM	COMMON STOCK		1,277
CITIGROUP INC COM	COMMON STOCK		537
CITRIX SYS INC COM	COMMON STOCK		471
COMCAST CORP NEW CL A	COMMON STOCK		3,038
COMPUTER SCIENCES CORP COM	COMMON STOCK		966
COMPUWARE CORP	COMMON STOCK		405
COVIDIEN LIMITED	COMMON STOCK		562
CREDIT SUISSE GROUP SPON ADR	COMMON STOCK		212
DISH NETWORK CORP CL A	COMMON STOCK		166
DOMTAR CORP COM	COMMON STOCK		47
DOW CHEM CO COM	COMMON STOCK		905
DREYFUS GOV'T CASH MGMT FUND	MUTUAL FUND		2,630
EATON CORP	COMMON STOCK		50
EBAY INC COM	COMMON STOCK		628
ERICSSON L M TEL CO ADR CL B	COMMON STOCK		312
FEDEX CORP COM	COMMON STOCK		1,443
GENERAL ELEC CO COM	COMMON STOCK		1,580
GENUINE PARTS CO COM	COMMON STOCK		356
GENWORTH FINL INC	COMMON STOCK		42
GLAXOSMITHKLINE PLC SPONSORED	COMMON STOCK		1,677
HEALTH MGMT ASSOC INC NEW CL A	COMMON STOCK		54
HEWLETT PACKARD CO COM	COMMON STOCK		2,994
HITACHI LTD ADR 10	COMMON STOCK		407
HOME DEPOT INC COM	COMMON STOCK		1,266
HSBC HLDG PLC SPON ADR NEW	COMMON STOCK		389
INTERPUBLIC GROUP COS INC COM	COMMON STOCK		208
KONINKLIJKE PHILIPS ELECTRS NV	COMMON STOCK		219
KYOCERA CORP ADR	COMMON STOCK		362
LEGG MASON INC	COMMON STOCK		219
LIBERTY GLOBAL INC	COMMON STOCK		114
LIBERTY GLOBAL INC COM SER A	COMMON STOCK		45
LIBERTY MEDIA CORP NEW	COMMON STOCK		440
LIBERTY MEDIA HLDG CORP	COMMON STOCK		215
LOEWS CORP COM	COMMON STOCK		424
MACYS INC COM	COMMON STOCK		311
MAXIM INTEGRATED PRODS INC COM	COMMON STOCK		457
MOLEX INC CL A	COMMON STOCK		272
MOTOROLA INC COM	COMMON STOCK		1,108
NEWS CORPORATION CL A	COMMON STOCK		1,636
NOVARTIS AG SPON ADR	COMMON STOCK		1,493
OCCIDENTAL PETE CORP COM	COMMON STOCK		1,920
PANASONIC CORP ADR	COMMON STOCK		902
PFIZER INC COM STK USD0.05	COMMON STOCK		1,535
PITNEY BOWES INC COM	COMMON STOCK		510
ROYAL DUTCH SHELL PLC	COMMON STOCK		662
SANOFI-AVENTIS ADR	COMMON STOCK		1,881
SCHLUMBERGER LTD COM	COMMON STOCK		910
SHERWIN WILLIAMS CO COM	COMMON STOCK		317
SLM CORP	COMMON STOCK		407
SONY CORP AMERN SH NEW ADR	COMMON STOCK		1,148
SPRINT NEXTEL CORP COM SER 1	COMMON STOCK		320
SUN MICROSYSTEMS INC COM NEW	COMMON STOCK		58
SYNOPSYS INC COM	COMMON STOCK		370
THOMSON	COMMON STOCK		14
TIME WARNER INC	COMMON STOCK		1,911
TRAVELERS COS INC COM	COMMON STOCK		678
TYCO ELECTRONICS LTD	COMMON STOCK		365
TYCO INTERNATIONAL LTD BERMUDA	COMMON STOCK		432
UNITEDHEALTH GROUP INC COM	COMMON STOCK		1,330
VULCAN MATLS CO COM	COMMON STOCK		417
WACHOVIA CORP NEW COM	COMMON STOCK		582
WAL MART STORES INC COM	COMMON STOCK		1,643

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WALGREEN CO	COMMON STOCK	493
WELLPOINT INC	COMMON STOCK	1,854
WELLS FARGO & CO NEW COM	COMMON STOCK	1,483
WYETH COM	COMMON STOCK	1,032
XEROX CORP COM	COMMON STOCK	917
CASH	CASH AND CASH EQUIVALENTS	6,618
	DODGE & COX VALUE EQUITY FUND	\$ 68,973
ACTIVISION BLIZZARD INC COM	COMMON STOCK	\$ 105
ADVANCED AUTO PTS INC	COMMON STOCK	491
AFFILIATED COMPUTER SVCS INC	COMMON STOCK	74
AGCO CORP COM	COMMON STOCK	314
AIRGAS INC	COMMON STOCK	343
ALEXANDER & BALDWIN INC	COMMON STOCK	130
ALLIANT ENERGY CORP COM	COMMON STOCK	245
AMB PPTYS CORP COM	COMMON STOCK	84
AMERICAN FINL GROUP INC OHIO	COMMON STOCK	256
AMERICAN GREETINGS CORP CL A	COMMON STOCK	138
AMPHENOL CORP NEW CL A	COMMON STOCK	218
ANSYS INC COM	COMMON STOCK	120
APARTMENT INVT & MGMT CO CL A	COMMON STOCK	74
ARCH COAL INC COM	COMMON STOCK	212
ASSOCIATED BANC CORP COM	COMMON STOCK	77

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Identity of Issuer	Description	Cost	Current Value
AVNET INC COM	COMMON STOCK		191
BANCORPSOUTH INC	COMMON STOCK		161
BANK OF HAWAII CORP	COMMON STOCK		375
BARNES & NOBLE INC COM	COMMON STOCK		48
BECKMAN COULTER INC COM	COMMON STOCK		105
BERKLEY W R CORP COM	COMMON STOCK		298
BJS WHSL CLUB INC COM	COMMON STOCK		260
BOB EVANS FARMS INC	COMMON STOCK		82
BORG WARNER INC COM	COMMON STOCK		74
BRINKER INTL INC COM	COMMON STOCK		116
BRINKS CO	COMMON STOCK		228
BRINKS HOME SEC HLDGS INC COM	COMMON STOCK		160
BROADRIDGE FINL SOLUTIONS INC	COMMON STOCK		231
CAMDEN PPTY TR SHS BEN INT	COMMON STOCK		194
CAMERON INTL CORP COM	COMMON STOCK		100
CARLISLE COS INC COM	COMMON STOCK		120
CENTERPOINT ENERGY INC	COMMON STOCK		173
CENTEX CORP COM	COMMON STOCK		95
CENTRAL EUROPEAN DISTR CORP	COMMON STOCK		116
CEPHALON INC COM	COMMON STOCK		62
CHARLES RIV LABORATORIES INTL	COMMON STOCK		160
CIMAREX ENERGY CO	COMMON STOCK		177
CLIFFS NAT RES INC COM	COMMON STOCK		151
COMSTOCK RES INC NEW	COMMON STOCK		80
CORN PRODS INTL INC COM	COMMON STOCK		110
DENBURY RES INC COM NEW	COMMON STOCK		248
DENTSPLY INTL INC NEW COM	COMMON STOCK		491
DEVRY INC DEL COM	COMMON STOCK		46
DIEBOLD INC	COMMON STOCK		242
DOLLAR TREE INC COM	COMMON STOCK		397
DPL INC COM	COMMON STOCK		409
DRESSER RAND GROUP INC	COMMON STOCK		41
DREYFUS GOVT CASH MGMT FUND	MUTUAL FUND		232
DUKE REALTY CORPORATION	COMMON STOCK		142
DUN & BRADSTREET CORP DEL NEW	COMMON STOCK		170
DYCOM INDS INC	COMMON STOCK		72
EDWARDS LIFE SCIENCES CORP COM	COMMON STOCK		71
EMCOR GROUP INC COM	COMMON STOCK		52
ENERGEN CORP	COMMON STOCK		408
EQUITABLE RES INC COM	COMMON STOCK		70
F5 NETWORK INC COM	COMMON STOCK		46
FACTSET RESH SYS INC	COMMON STOCK		93
FERRO CORP COM	COMMON STOCK		45
FIRST AMERICAN CORP COM	COMMON STOCK		121
FIRST NIAGARA FINL GROUP INC	COMMON STOCK		58
FIRSTMERIT CORP	COMMON STOCK		371
FLOWERVE CORP COM	COMMON STOCK		196
FMC CORP NEW COM	COMMON STOCK		295
FMC TECHNOLOGIES INC COM	COMMON STOCK		310
FOOT LOCKER INC COM	COMMON STOCK		62
FOSSIL INC COM	COMMON STOCK		90
GARTNER INC COM	COMMON STOCK		455
GATX CORP COM	COMMON STOCK		384
GEN PROBE INC NEW	COMMON STOCK		201
GENTEX CORP COM	COMMON STOCK		143
GLOBAL PMTS INC COM	COMMON STOCK		312
GREAT PLAINS ENERGY INC COM	COMMON STOCK		39
HANOVER INS GROUP INC COM	COMMON STOCK		125
HANSEN NAT CORP	COMMON STOCK		57
HARRIS CORP DEL COM	COMMON STOCK		259
HARSCO CORP	COMMON STOCK		149
HARTE-HANKS INC COM	COMMON STOCK		60
HAWAIIAN ELEC INDS INC COM	COMMON STOCK		182
HCC INS HLDGS INC COM	COMMON STOCK		487

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HEALTH CARE REIT INC COM	COMMON STOCK	236
HNI CORP	COMMON STOCK	105
HORMEL FOODS CORP COM	COMMON STOCK	239
HOSPITALITY PPTYS TR COM SHS	COMMON STOCK	198
HUBBELL INC CL B	COMMON STOCK	402
IDACORP INC COM	COMMON STOCK	56
IDEXX LABS INC COM	COMMON STOCK	177
INTERNATIONAL SPEEDWAY CORP CL	COMMON STOCK	66
INTERSIL CORP CL A	COMMON STOCK	181
ITT EDL SVCS INC COM	COMMON STOCK	494
JABIL CIRCUIT INC COM	COMMON STOCK	62
JACOBS ENGR GROUP INC COM	COMMON STOCK	197
JANUS CAP GROUP INC	COMMON STOCK	107
JOY GLOBAL INC	COMMON STOCK	55
KENNAMETAL INC COM	COMMON STOCK	82
KIRBY CORP COM	COMMON STOCK	47
KNIGHT CAP GROUP INC	COMMON STOCK	147
LANDSTAR SYS INC COM	COMMON STOCK	19
LIBERTY PPTY TR SHS BEN INT	COMMON STOCK	269
LIFE TECHNOLOGIES CORP COM	COMMON STOCK	457
LIFEPOINT HOSPS INC COM	COMMON STOCK	89
LINCARE HLDGS INC COM	COMMON STOCK	442
LUBRIZOL CORP	COMMON STOCK	87

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Identity of Issuer	Description	Cost	Current Value
MACERICH CO COM	COMMON STOCK		76
MACK CALI RLTY CORP COM	COMMON STOCK		409
MANPOWER INC WIS	COMMON STOCK		190
MARINER ENERGY INC COM	COMMON STOCK		83
MDU RESOURCES GROUP INC	COMMON STOCK		369
MEDICIS PHARMACEUTICAL CORP	COMMON STOCK		172
MEREDITH CORP COM	COMMON STOCK		41
MINERALS TECHNOLOGIES INC COM	COMMON STOCK		258
MPS GROUP INC	COMMON STOCK		53
NATIONAL FUEL GAS CO N J	COMMON STOCK		316
NCR CORP NEW	COMMON STOCK		301
NETFLIX COM INC	COMMON STOCK		66
NEW YORK CMNTY BANCORP INC	COMMON STOCK		37
NORDSON CORP	COMMON STOCK		232
NV ENERGY INC COM	COMMON STOCK		376
OLIN CORP COM PAR \$1.00	COMMON STOCK		108
OMNICARE INC COM	COMMON STOCK		247
OSHKOSH CORP COM	COMMON STOCK		138
OVERSEAS SHIPHOLDING GRP INC	COMMON STOCK		147
PANERA BREAD CO CL A COM	COMMON STOCK		157
PATTERSON UTI ENERGY INC COM	COMMON STOCK		87
PENTAIR INC COM	COMMON STOCK		225
PEPSIAMERICAS INC COM	COMMON STOCK		346
PHARMACEUTICAL PROD DEV INC	COMMON STOCK		177
PLAINS EXPLORATION & PRODTN	COMMON STOCK		107
PRICELINE COM INC	COMMON STOCK		88
PUGET ENERGY INC NEW	COMMON STOCK		196
PULTE HOMES INC COM	COMMON STOCK		73
RALCORP HLDGS INC NEW COM	COMMON STOCK		397
RAYMOND JAMES FINL INC COM	COMMON STOCK		204
REINSURANCE GROUP AMER INC COM	COMMON STOCK		81
RELIANCE STL & ALUM CO	COMMON STOCK		183
REPUBLIC SVCS INC COM	COMMON STOCK		214
ROPER INDS INC NEW COM	COMMON STOCK		109
ROSS STORES INC COM	COMMON STOCK		505
SCHEIN HENRY INC COM	COMMON STOCK		161
SEI INVESTMENT CO COM	COMMON STOCK		327
SEMTECH CORP	COMMON STOCK		68
SHAW GROUP INC COM	COMMON STOCK		96
SILICON LABORATORIES INC	COMMON STOCK		40
SOHU.COM INC COM	COMMON STOCK		199
SOUTHERN UN CO NEW	COMMON STOCK		197
SOUTHWESTERN ENERGY CO (DEL)	COMMON STOCK		278
SPX CORP	COMMON STOCK		292
STANCORP FINL GROUP INC COM	COMMON STOCK		610
STERIS CORP COM	COMMON STOCK		239
SVB FINL GROUP	COMMON STOCK		115
SYBASE INC COM	COMMON STOCK		417
SYNOPSIS INC COM	COMMON STOCK		180
SYNOVUS FINL CORP	COMMON STOCK		95
TCF FINL CORP	COMMON STOCK		52
TECH DATA CORP COM	COMMON STOCK		401
TECHNE CORP COM	COMMON STOCK		258
TELEPHONE & DATA SYS INC COM	COMMON STOCK		470
TERRA INDS INC	COMMON STOCK		227
TRACTOR SUPPLY CO	COMMON STOCK		61
TRANSATLANTIC HLDGS INC COM	COMMON STOCK		112
TRIMBLE NAV LTD	COMMON STOCK		61
TUPPERWARE BRANDS CORP COM	COMMON STOCK		66
UDR INC COM REIT	COMMON STOCK		145
UGI CORP NEW COM	COMMON STOCK		357
UNIVERSAL CORP VA	COMMON STOCK		105
UNIVERSAL HEALTH SVCS INC CL B	COMMON STOCK		406
URBAN OUTFITTERS INC COM	COMMON STOCK		274

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URS CORP NEW	COMMON STOCK	379
VALSPAR CORP	COMMON STOCK	116
WARNACO GROUP INC	COMMON STOCK	338
WASHINGTON FEDERAL INC	COMMON STOCK	21
WATSON PHARMACEUTICALS INC COM	COMMON STOCK	64
WEINGARTEN RLTY INVS SH BEN	COMMON STOCK	226
WELLCARE HEALTH PLANS INC	COMMON STOCK	64
WERNER ENTERPRISES INC COM	COMMON STOCK	142
WESTAMERICA BANCORPORATION COM	COMMON STOCK	97
WESTERN DIGITAL CORP DEL COM	COMMON STOCK	250
WILEY JOHN & SONS INC CL A	COMMON STOCK	64
WILMINGTON TR CORP	COMMON STOCK	145
WMS INDS INC COM	COMMON STOCK	59
WORTHINGTON INDS INC COM	COMMON STOCK	213
CASH	CASH AND CASH EQUIVALENTS	8,823
FRANKLIN PORTFOLIO MID CAP STOCK FUND		\$ 42,671

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Attachment B**(In thousands)**

Security Name	Maturity and Interest Rate	Description	Market Value
3M CO MTN B/E TR 00005	4.375% 08/15/2013 DD 08/21/08	CORPORATE DEBT INSTRUMENTS	\$ 1,134
ABBOTT LABS	5.600% 05/15/2011 DD 05/12/06	CORPORATE DEBT INSTRUMENTS	317
ABU DHABI NATL ENERGY MTN 144A	5.620% 10/25/2012 DD 10/25/07	CORPORATE DEBT INSTRUMENTS	1,361
ACE INA HLDG INC GTD SR NT	5.800% 03/15/2018 DD 02/14/08	CORPORATE DEBT INSTRUMENTS	450
ACCESS GROUP DEL 08-1 CL A	VAR RT 10/27/2025 DD 08/05/08	CORPORATE DEBT INSTRUMENTS	1,195
ADJUSTABLE RATE 04-5 CL 2A1	VAR RT 04/25/2035 DD 12/01/04	CORPORATE DEBT INSTRUMENTS	28
AEGON N V SR NT	4.750% 06/01/2013 DD 05/20/03	CORPORATE DEBT INSTRUMENTS	427
AHMAT AMERN 06-6 P/T A1-A	VAR RT 11/25/2036 DD 10/30/06	CORPORATE DEBT INSTRUMENTS	104
ALTERNATIVE LN 06 OA10 CL 1A1	VAR RT 08/25/2046 DD 06/01/06	CORPORATE DEBT INSTRUMENTS	109
ALTRIA GROUP INC NT	9.700% 11/10/2018 DD 11/10/08	CORPORATE DEBT INSTRUMENTS	676
AMERICAN EXPRESS 08-2 CL A	4.020% 01/18/2011 DD 08/07/08	CORPORATE DEBT INSTRUMENTS	1,797
AMERICAN EXPRESS BK FSB MEDIUM	5.500% 04/16/2013 DD 04/16/08	CORPORATE DEBT INSTRUMENTS	5,210
AMERICAN EXPRESS CO	3.150% 12/09/2011 DD 12/11/08	U. S. GOVERNMENT SECURITIES	5,141
AMERICAN EXPRESS CO NT	7.000% 03/19/2018 DD 03/19/08	CORPORATE DEBT INSTRUMENTS	1,112
AMERICAN EXPRESS CR CORP MTN	5.875% 05/02/2013 DD 06/02/08	CORPORATE DEBT INSTRUMENTS	772
AMERICAN EXPRESS TRAVEL 144A	5.250% 11/21/2011 DD 11/21/06	CORPORATE DEBT INSTRUMENTS	858
AMERICAN GEN FIN CORP SR NT	8.450% 10/15/2009 DD 11/01/89	CORPORATE DEBT INSTRUMENTS	720
AMERICAN HOME MTG 2005-1 CL 6A	VAR RT 06/25/2045 DD 03/01/05	CORPORATE DEBT INSTRUMENTS	