

Viacom Inc.
Form 11-K
June 22, 2012
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549-1004

FORM 11-K

ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2011

OR

TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number 001-32686

VIACOM 401(k) PLAN

(Full title of the Plan)

VIACOM INC.

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

1515 Broadway

New York, NY 10036

(Address of principal executive offices)

Table of Contents

VIACOM 401(k) PLAN

FINANCIAL STATEMENTS, SUPPLEMENTAL SCHEDULE AND EXHIBIT

DECEMBER 31, 2011

INDEX

	Page
<u>Report of Independent Registered Public Accounting Firm</u>	1
Financial Statements:	
<u>Statements of Net Assets Available for Benefits at December 31, 2011 and 2010</u>	2
<u>Statement of Changes in Net Assets Available for Benefits for the Year ended December 31, 2011</u>	3
<u>Notes to Financial Statements</u>	4
	Schedule
Supplemental Schedule:	
<u>Schedule H, line 4i Schedule of Assets Held at End of Year</u>	S-1
All other schedules required by Section 2520.103-10 of the Department of Labor Rules and Regulations for Reporting and Disclosure Under the Employee Retirement Income Security Act of 1974 are omitted as not applicable or not required.	
<u>Signatures</u>	S-6
Exhibit:	
23.1 Consent of Independent Registered Public Accounting Firm	

Table of Contents

Report of Independent Registered Public Accounting Firm

To the Participants and Administrator of

Viacom 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 Viacom 401(k) Plan (the Plan) at December 31, 2011 and 2010, and the changes in net assets available for benefits for the year ended December 31, 2011 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 audits 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 assets held at end of year is presented for the purpose of additional analysis and is not a required part of the basic financial statements but is 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. The supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is 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 22, 2012

Table of Contents**VIACOM 401(k) PLAN****STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS**

(In thousands)

	December 31,	
	2011	2010
ASSETS		
Investments:		
Investments, at fair value	565,320	547,319
Fully benefit-responsive investment contracts, at fair value	96,763	89,687
Total investments	662,083	637,006
Receivables:		
Employee contributions	1,107	284
Employer contributions	530	1
Participant loans receivable	10,024	9,083
Due from broker for securities sold	174	148
Investment income	573	99
Total receivables	12,408	9,615
Total assets	674,491	646,621
LIABILITIES		
Accrued expenses and other liabilities	757	310
Due to broker for securities purchased	184	371
Total liabilities	941	681
Net assets reflecting all investments at fair value	673,550	645,940
Adjustment from fair value to contract value for fully benefit-responsive investment contracts	(4,975)	(4,139)
Net assets available for benefits	\$ 668,575	\$ 641,801

See accompanying notes to financial statements.

Table of Contents**VIACOM 401(k) PLAN****STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS****(In thousands)**

	Year Ended December 31, 2011
Additions to net assets attributed to:	
Investment income:	
Dividends	3,220
Interest	3,258
Net depreciation in fair value of investments	(9,885)
Total investment loss	(3,407)
Interest income on participant loans receivable	544
Contributions:	
Employee	53,863
Employer	22,178
Rollover	3,335
Total contributions	79,376
Total additions attributed to investments and contributions	76,513
Deductions from net assets attributed to:	
Benefits paid to participants	59,590
Plan expenses	1,893
Total deductions	61,483
Net increase in net assets available for benefits, prior to plan merger	15,030
Plan merger (Note 1)	11,744
Net assets available for benefits, beginning of year	641,801
Net assets available for benefits, end of year	668,575

See accompanying notes to financial statements.

Table of Contents

VIACOM 401(k) PLAN

NOTES TO FINANCIAL STATEMENTS

(Tabular dollars in thousands)

NOTE 1 PLAN DESCRIPTION

Viacom Inc. (*Viacom* or the *Company*) established the Viacom 401(k) Plan (the *Plan*), effective on January 1, 2006.

The following is a brief description of the Plan and is provided for general information only. Participants should refer to the Plan document and the Summary Plan Description made available to them for more complete information regarding the Plan. In the event of a conflict between the following description and the Plan document, the Plan document will control.

The Plan, sponsored by the Company, is a defined contribution plan offered on a voluntary basis to substantially all of the Company's employees. 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 the Viacom Retirement Committee, the members of which are appointed by the Company's Board of Directors (the *Board*) or its designee.

JPMorgan Chase Bank, N.A. (the *Trustee*) is the trustee and custodian of the Plan and JPMorgan Retirement Plan Services LLC (*JPM RPS*) is the recordkeeper for the Plan.

Related Party Transactions

Certain investments for the Plan are invested in funds managed by affiliates of the Trustee, and are considered a *party-in-interest* as such term is defined in ERISA. In addition, certain Plan investments are in shares of Class A and Class B common stock of the Company and qualify as a *party-in-interest*. The fair value of these investments was \$76.4 million and \$74.4 million at December 31, 2011 and 2010, respectively. For the year ended December 31, 2011, these investments appreciated \$10.8 million related to the net of realized and unrealized gains and losses, and earned dividends of \$1.2 million. During the year ended December 31, 2011, the Plan sold shares of Viacom Class A and Class B common stock for total proceeds of \$16.4 million and purchased shares of Viacom Class B common stock at a cost of \$7.6 million.

Plan Merger

Effective March 15, 2011, assets of approximately \$11.7 million were transferred from the Viacom 401(k) Plan for Project Based Employees to the Plan.

Eligibility

Eligible full-time employees may become participants in the Plan following the attainment of age 21. Eligible part-time employees generally participate in the Plan on the first of the month after attainment of age 21 and completion of one thousand hours of service within the consecutive twelve-month period beginning with their date of hire or within any plan year (January 1 through December 31) thereafter.

Participant Accounts

Each participant's account is credited with the participant's contributions, applicable employer matching contributions and the participant's share of the Plan's income or losses in the investment options selected, net of certain plan expenses.

Plan participants have the option of investing their contributions and existing account balances among twenty investment options. These investment options include separately managed investment portfolios, common/collective trust funds, registered investment companies (mutual funds) and Viacom Class B common stock. Some plan participants are invested in Viacom Class A common stock, but that fund is closed to new investment. The securities held by these investment options are described in greater detail in Note 3.

Table of Contents

VIACOM 401(k) PLAN

NOTES TO FINANCIAL STATEMENTS

(Tabular dollars in thousands)

Contributions

Participants are permitted to contribute up to 50% of annual compensation, on a before-tax basis, subject to applicable Code limitations discussed below. Participants may also contribute eligible rollover amounts into the Plan.

Any eligible employee is deemed to have authorized the Company to make before-tax contributions in the Plan in an amount equal to 6% of the employee's eligible compensation upon his or her date of hire. Deemed authorization takes effect following the 30th day the employee becomes eligible to participate in the Plan unless the employee elects not to participate in the Plan or to participate at a different contribution rate.

The Code limited the amount of annual participant contributions that can be made on a before-tax basis to \$16,500 for 2011. Compensation considered under the Plan based on Code limits could not exceed \$245,000 for 2011. The Code also limited annual aggregate participant and employer contributions to the lesser of \$49,000 or 100% of compensation in 2011. In 2011, the Plan utilized a safe harbor design for compliance with the nondiscrimination requirements applicable to deferrals and matching contributions in accordance with the provisions of the Code.

All participants who have attained age 50 before the close of the calendar year are eligible to make catch-up contributions if the participants made the maximum contribution permitted under the Plan for a plan year. The limit for catch-up contributions was \$5,500 in 2011.

The employer matching contribution is equal to 100% of the first 1% and 50% of the next 5% of eligible compensation contributed and employer matching contributions are invested according to the participant's investment elections. Catch-up contributions are not treated as matchable contributions.

Vesting

Participants in the Plan are immediately vested in their own contributions and earnings thereon. Employer matching contributions vest at 100% after two years of service. In the case of a participant who was an employee on March 31, 2009, employer matching contributions vested at 20% after one year of service and 100% after two years of service. Transition rules apply to participants of plans that were merged into the Plan.

If participants terminate employment prior to being vested in their employer matching contributions, upon distribution of the vested portion of their account, the non-vested portion of their account is forfeited and may be applied to future employer matching contributions and/or to pay administrative expenses. As of December 31, 2011, the Company had forfeitures of approximately \$0.5 million available to be used as noted above, which includes interest earned on forfeitures of approximately \$0.1 million. As of December 31, 2010, the Company had forfeitures of approximately \$1.4 million available to be used as noted above. Employer matching contributions of approximately \$0.7 million were forfeited in 2011 and the Company utilized forfeitures of approximately \$0.7 million and \$1.0 million in 2011 to pay administrative expenses and employer matching contributions, respectively.

Participant Loans Receivable

Participants may request a loan of 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, with

Table of Contents

VIACOM 401(k) PLAN

NOTES TO FINANCIAL STATEMENTS

(Tabular dollars in thousands)

principal and interest payable not less than quarterly 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. The Plan allows participants to elect a repayment period 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 participant's then current investment elections.

Included in the Statements of Net Assets Available for Benefits are *Participant loans receivable* of \$10.0 million and \$9.1 million, which carried interest rates ranging from 3.25% to 12.0%, as of December 31, 2011 and 2010, respectively.

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. Participants must receive a required minimum distribution upon attainment of age 70 1/2 unless they are still employed.

Participants in the Plan may withdraw certain eligible contributions at any time. Upon attainment of age 59 1/2, participants may withdraw all or part of their vested account. The Plan limits participants to a maximum of two withdrawals in each calendar year.

A participant may obtain a financial hardship withdrawal of the employee's before-tax contributions provided that the requirements for hardship are met and only to the extent required to relieve such financial hardship. Additionally, the vested portion of employer matching contributions through December 31, 2009 may be used toward a financial hardship withdrawal. There is no restriction on the number of hardship withdrawals permitted.

When a participant terminates employment with the Company, the full value of the employee contributions and earnings thereon plus the value of all vested employer matching contributions and earnings thereon can be rolled over to a tax qualified retirement plan or an Individual Retirement Account 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 roll over the vested balance, it will be automatically paid in a single lump sum cash payment and taxes will be withheld from the distribution.

Plan Expenses

The Plan document permits Plan expenses to be paid from Plan forfeitures, from participant accounts or by the Company. The fees for investment of Plan assets are charged to the Plan's investment funds, as reflected in the net asset value of the fund. Certain administrative expenses, such as legal, accounting and recordkeeping fees, may be paid by the Plan using forfeitures as described above or may be paid by the Company. Recordkeeping fees may also be paid from participant accounts. Trustee and custodian fees are paid from participant accounts. For 2011, \$0.9 million was paid to JPM RPS for recordkeeping services.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements are prepared on the accrual basis of accounting.

Table of Contents

VIACOM 401(k) PLAN

NOTES TO FINANCIAL STATEMENTS

(Tabular dollars in thousands)

Recent Accounting Pronouncements

In May 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2011-04, *Fair Value Measurement and Disclosures (Topic 820 Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs* (ASU 2011-04). ASU 2011-04 clarifies the application of existing fair value measurement requirements, changes certain principles related to measuring fair value, and requires additional disclosures about fair value measurements.

The guidance specifies that the concepts of highest and best use and valuation premise in a fair value measurement are only relevant when measuring the fair value of nonfinancial assets whereas they are not relevant when measuring the fair value of financial assets and liabilities.

Required disclosures are expanded under the new guidance, especially for fair value measurements that are categorized within Level 3 of the fair value hierarchy, for which quantitative information about the unobservable inputs used, and a narrative description of the valuation processes in place and sensitivity of recurring Level 3 measurements to changes in unobservable inputs, will be required. Plans will also be required to disclose the categorization by level of the fair value hierarchy for items that are not measured at fair value in the statement of financial position but for which the fair value is required to be disclosed.

ASU 2011-04 is effective for annual periods beginning after December 15, 2011 and is to be applied prospectively. The Plan's management is currently assessing the impact of this guidance on its financial statements but do not expect that the adoption will have a material impact on the Plan's financial statements.

Securities Transactions

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 3 for discussion of fair value measurements.

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

Interest income is accrued as earned and dividend income is recorded on the ex-dividend date.

Included in the Statement of Changes in Net Assets Available for Benefits is the net appreciation in the fair value of the Plan's investments, which consists of the realized gains or losses and the unrealized appreciation (depreciation) on those investments.

Payment of Benefits

Benefits 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's management to make estimates and assumptions, such as those regarding the 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. Estimates are based on past experience and other considerations reasonable under the circumstances. Actual results could differ from those estimates.

Table of Contents

VIACOM 401(k) PLAN

NOTES TO FINANCIAL STATEMENTS

(Tabular dollars in thousands)

NOTE 3 FAIR VALUE MEASUREMENTS AND INCOME RECOGNITION

Fair Value Measurements and Income Recognition

Financial Accounting Standards Board (FASB) provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurement). The three levels of the fair value hierarchy under the FASB guidance are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

Level 2 Inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement. The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodology used for assets measured at fair value including the general classification of such instruments pursuant to the valuation hierarchy. There have been no changes in the methodologies used at December 31, 2011 and 2010.

Common Stocks: Common stocks are reported at fair value based on quoted market prices on national securities exchanges. All common stocks are classified within level 1 of the valuation hierarchy.

Common/Collective Trust Funds: The fair values of investments in common/collective trust funds are based on their net asset values (NAV) reported by the investment advisor in the financial statements of the common/collective trusts at year-end. Each common/collective trust provides for daily participant redemptions by the Plan at reported net asset values per share, with no advance notice requirement. The NAV is a quoted price in a market that is not active and classified within level 2 of the valuation hierarchy.

Registered Investment Companies (Mutual Funds): Investments in registered investment companies are stated at the respective funds' NAV, which is determined based on market values at the closing price on the last business day of the year. The NAV is a quoted price in an active market and classified within level 1 of the valuation hierarchy.

Guaranteed Investment Contracts: The fair value of the synthetic guaranteed investment contracts (GICs) is based on the underlying investments. The underlying investments are common/collective trust funds, which are public investment vehicles, valued at the NAV as described above. Because the NAV is a quoted price in a market that is not active, they are classified within level 2 of the valuation hierarchy. The related wrapper contracts have a fair value of \$41,474 and \$105,190 at December 31, 2011 and 2010 respectively. The wrapper contracts are valued by INVESCO, the administrator of the fund using other significant observable inputs in a valuation model and are classified within level

2 of the valuation hierarchy. See Note 8 for further information on INVESCO and these contracts.

Table of Contents**VIACOM 401(k) PLAN****NOTES TO FINANCIAL STATEMENTS****(Tabular dollars in thousands)**

U.S. Government Securities: Short-term money market obligations are valued at \$1.00 per share and are classified within level 2 of the valuation hierarchy.

The following tables set forth by level, within the fair value hierarchy, the Plan's investments at fair value as of December 31, 2011 and 2010 respectively. In 2011, certain investment funds were replaced with JP Morgan Smart Retirement funds to offer retirement date target funds to employees. As a result of the change, Level 2 investments increased to 70% of total investments as of December 31, 2011. The Plan has no investments classified within level 3 of the valuation hierarchy.

(in thousands)	Investments at Fair Value as of December 31, 2011		
	Quoted Prices In		Total
	Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	
Common Stocks			
Consumer	\$ 96,530	\$	\$ 96,530
Information Technology	29,524		29,524
Financial	8,619		8,619
Industrial	8,282		8,282
Health Care	11,657		11,657
Energy	8,178		8,178
Other	4,491		4,491
Total Common Stocks	\$ 167,281	\$	\$ 167,281
Common / Collective Trust Funds			
Index	\$	\$ 136,499	\$ 136,499
Growth		55,589	55,589
Fixed Income		51,714	51,714
Target Date Funds		114,023	114,023
Total Common/Collective Trust Funds	\$	\$ 357,825	\$ 357,825
Registered Investment Companies			
Growth	\$ 27,528	\$	\$ 27,528
Index	3,419		3,419
Total Registered Investment Companies	\$ 30,947	\$	\$ 30,947
Synthetic Guaranteed Investment Contracts (See Note 8)	\$	\$ 96,763	\$ 96,763
U.S. Government Securities		9,267	9,267

Edgar Filing: Viacom Inc. - Form 11-K

Total Investments At Fair Value	\$ 198,228	\$ 463,855	\$ 662,083
---------------------------------	------------	------------	------------

Table of Contents**VIACOM 401(k) PLAN****NOTES TO FINANCIAL STATEMENTS**

(Tabular dollars in thousands)

(in thousands)	Investments at Fair Value as of December 31, 2010		
	Quoted Prices In		Significant Other
	Active Markets for		
	Identical Assets	Observable Inputs	Total
	Level 1	Level 2	
Common Stocks			
Consumer	\$ 92,355	\$	\$ 92,355
Information Technology	33,225		33,225
Financial	13,236		13,236
Industrial	10,601		10,601
Health Care	8,885		8,885
Energy	8,805		8,805
Other	5,645		5,645
Total Common Stocks	\$ 172,752	\$	\$ 172,752
Common / Collective Trust Funds			
Index	\$	\$ 116,918	\$ 116,918
Growth		70,999	70,999
Fixed Income		40,511	40,511
Other		4,088	4,088
Total Common/Collective Trust Funds	\$	\$ 232,516	\$ 232,516
Registered Investment Companies			
Growth	\$ 59,296	\$	\$ 59,296
Balanced Funds	70,911		70,911
Index	3,652		3,652
Total Registered Investment Companies	\$ 133,859	\$	\$ 133,859
Synthetic Guaranteed Investment Contracts (See Note 8)	\$	\$ 89,687	\$ 89,687
U.S. Government Securities		8,192	8,192
Total Investments At Fair Value	\$ 306,611	\$ 330,395	\$ 637,006

NOTE 4 RISKS AND UNCERTAINTIES

Edgar Filing: Viacom Inc. - Form 11-K

The Plan provides for various investment options that, along with the underlying securities, are exposed to various risks such as market, interest rate, and credit risks. 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 risks in the near term could materially affect participants' account balances and the amounts reported in the Statements of Net Assets Available for Benefits.

Table of Contents**VIACOM 401(k) PLAN****NOTES TO FINANCIAL STATEMENTS**

(Tabular dollars in thousands)

NOTE 5 INVESTMENTS

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

	At December 31,	
	2011	2010
Blackrock Equity Index Fund	\$ 92,674	\$ 82,005
Viacom Class B Common Stock	\$ 75,809	\$ 73,816
Blackrock US Debt Index Fund	\$ 51,714	\$ (1)
Blackrock Mid Cap Equity Index Fund	\$ 43,825	\$ 34,913
EB CIS Non-SL Aggregate Bond Index Fund	\$ (1)	\$ 40,511
Vanguard LifeStrategy Conservative Growth	\$ (1)	\$ 39,899
Capital Guardian International Equity Fund	\$ (1)	\$ 35,681
Capital Guardian Emerging Markets Equity Fund	\$ (1)	\$ 35,318
Vanguard LifeStrategy Growth	\$ (1)	\$ 32,490

⁽¹⁾ Represents less than 5% during the respective year.

During the year ended December 31, 2011 the Plan's investments (including gains and losses on investments bought, sold and held during the year) appreciated/(depreciated) as follows:

Registered investment companies	\$ 1,486
Common stocks	3,286
Common/Collective Trusts	(14,657)
Net depreciation in fair value of investments	\$ (9,885)

NOTE 6 INCOME TAX STATUS

On October 9, 2008, the Plan received a determination from the Internal Revenue Service (IRS) that the Plan satisfies 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. Certain amendments have been made to the Plan since receiving the determination letter. However, the Plan Administrator and the Plan's counsel believe that the Plan is designed and is currently being operated in compliance with the applicable provisions of the Code.

Edgar Filing: Viacom Inc. - Form 11-K

As of December 31, 2011, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax year in progress. The Plan Administrator believes it is no longer subject to income tax examinations for years prior to 2008.

NOTE 7 TERMINATION PRIORITIES

Although the Company anticipates that the Plan will continue indefinitely, it reserves the right by action of the Board of Directors 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.

Table of Contents

VIACOM 401(k) PLAN

NOTES TO FINANCIAL STATEMENTS

(Tabular dollars in thousands)

NOTE 8 INVESTMENT IN FULLY BENEFIT-RESPONSIVE INVESTMENT CONTRACTS

The Plan accounts for guaranteed investment contracts in accordance with the accounting and reporting guidance related to Fully Benefit-Responsive Investment Contracts Held by Certain Investment Companies Subject to the AICPA Investment Company Guide and Defined-Contribution Health and Welfare and Pension Plans. Contract value is the relevant measurement attribute for that portion of the net assets available for plan benefits of a defined-contribution plan attributable to fully benefit-responsive contracts because contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the Plan. The Plan invests in investment contracts through the INVESCO Fund. As required by the guidance, the guaranteed investment contracts are presented on the face of the Statements of Net Assets Available for Benefits at fair value with an adjustment to contract value in arriving at net assets available for benefits. The Statement of Changes in Net Assets Available for Benefits is prepared on a contract value basis.

The INVESCO Fund (the Fund) invests primarily in fully benefit-responsive investment contracts in a wrapper contract structure (also known as synthetic GICs). In a wrapper contract structure, the underlying investments are owned by the Fund and held in trust for plan participants and are of high quality fixed income securities or investment funds. The Fund purchases a wrapper contract from an insurance company or bank. The wrapper contract amortizes the realized and unrealized gains and losses on the underlying fixed income investments, typically over the expected duration of the investment through adjustments to the future interest crediting rate (which is the rate earned by participants in the fund for the underlying investments which resets on a monthly basis). The issuer of the wrapper contract provides assurance that the adjustments to the interest crediting rate do not result in a future interest crediting rate that is less than zero. An interest crediting rate less than zero would result in a loss of principal or accrued interest.

The key factors that influence future interest crediting rates for a wrapper contract include: the level of market interest rates, the amount and timing of participant activity into/out of the wrapper contract, the investment returns generated by the fixed income investments that back the wrapper contract, and the duration of the underlying investments backing the wrapper contract.

Changes in market interest rates affect the yield to maturity and the market value of the underlying investments; therefore, they can have a material impact on the wrapper contract's interest crediting rate. In addition, participant withdrawals and transfers from the Fund are paid at contract value but funded through the market value liquidation of the underlying investments, which also impacts the interest credit rating. The resulting gains and losses in the market value of the underlying investments relative to the wrapper contract value are represented on the Statements of Net Assets Available for Benefits as the *Adjustment from fair value to contract value for fully benefit-responsive investment contracts*. If the adjustment from fair value to contract value is positive for a given contract, this indicates that the wrapper contract value is greater than the market value of the underlying investments. The embedded market value losses will be amortized in the future through a lower interest crediting rate than would otherwise be the case. If the adjustment from fair value to contract value is negative, this indicates that the wrapper contract value is less than the market value of the underlying investments. The amortization of the embedded market value gains will cause the future interest crediting rate to be higher than it otherwise would have been.

All wrapper contracts provide for a minimum interest crediting rate of zero percent. In the event that the interest crediting rate should fall to zero and the requirements of the wrapper contract are satisfied, the wrapper issuers will pay to the Plan the shortfall needed to maintain the interest crediting rate at zero. This ensures that participants' principal and accrued interest are protected.

Table of Contents

VIACOM 401(k) PLAN

NOTES TO FINANCIAL STATEMENTS

(Tabular dollars in thousands)

The following table details the individual synthetic guaranteed investment contracts at fair value and their adjustment to contract value of \$91.8 million held by the INVESCO Fund at December 31, 2011:

Contract Issuer	Security Name	Issuer Ratings	Investments at Fair Value	Wrap Contracts at Fair Value	Adjustment to Contract Value	
Bank of America NA	Wrapper	A/A2		\$ 26		
	IGT BlackRock A or Better Intermediate Gov/Credit Fund		\$ 855			
	IGT INVESCO A or Better Intermediate Gov/Credit Fund		854			
	IGT INVESCO Short-term Bond Fund		17,875			
	IGT Jennison A or Better Intermediate Gov/Credit Fund		856			
	IGT PIMCO A or Better Intermediate Gov/Credit Fund		\$ 858			
			21,298	26	\$ (868)	
	ING Life & Annuity	Wrapper	A-/A3		0	
		IGT INVESCO Multi-Mgr A or Better Intermediate G/C Fund		19,361		
				19,361	0	(1,251)
Monumental Life Insurance Co	Wrapper	AA-/A1		15		
	IGT Blackrock A or Better Intermediate Gov/Credit Fund		3,603			
	IGT INVESCO A or Better Intermediate Gov/Credit Fund		3,597			
	IGT INVESCO Short-term Bond Fund		7,387			
	IGT Jennison A or Better Intermediate Gov/Credit Fund		3,606			
	IGT PIMCO A or Better Intermediate Gov/Credit Fund		3,613			
			21,806	15	(1,238)	
	Pacific Life Insurance Co	Wrapper	A+/A1		0	
		IGT INVESCO Multi-Mgr A or Better Core Fund		15,168		

Edgar Filing: Viacom Inc. - Form 11-K

State Street Bank	Wrapper	AA-/Aa2	15,168	0	(869)
	IGT INVESCO Short-term Bond Fund		19,089	0	
			19,089	0	(749)
Total			\$ 96,722	\$ 41	\$ (4,975)

Table of Contents**VIACOM 401(k) PLAN****NOTES TO FINANCIAL STATEMENTS**

(Tabular dollars in thousands)

The following table details the individual synthetic guaranteed investment contracts at fair value and their adjustment to contract value of \$85.5 million held by the INVESCO Fund at December 31, 2010:

Contract Issuer	Security Name	Issuer Ratings	Fair Value	Investment Wrap Contracts at Fair Value	Adjustment to Contract Value
Bank of America NA	Wrapper IGT INVESCO	A+/Aa3		\$ 49	
	Short-term Bond Fund		\$ 20,589		
			20,589	49	\$ (847)
ING Life & Annuity	Wrapper IGT INVESCO Multi-Mgr A or Better Intermediate G/C Fund	A/A2	18,384	0	
			18,384	0	(969)
			18,384	0	(969)
Monumental Life Insurance Co	Wrapper IGT INVESCO	AA-/A1		27	
	Multi-Mgr A or Better Intermediate G/C Fund		15,923		
			15,923	27	(985)
Pacific Life Insurance Co	Wrapper IGT INVESCO	A+/A1		29	
	Multi-Mgr A or Better Core Fund		14,197		
			14,197	29	(543)
State Street Bank	Wrapper IGT INVESCO	AA/Aa2		0	
	Short-term Bond Fund		20,489		
			20,489	0	(795)
Total			\$ 89,582	\$ 105	\$ (4,139)

The Company does not expect any employer initiated events that may cause premature liquidation of a contract at market value. The average yield to investments at fair value was approximately 1.41% and 2.17% for 2011 and 2010, respectively, and crediting interest rates to investments at fair value were approximately 2.83% and 3.73% at December 31, 2011 and 2010, respectively.

Table of Contents

VIACOM 401(k) PLAN

NOTES TO FINANCIAL STATEMENTS

(Tabular dollars in thousands)

NOTE 9 RECONCILIATION OF FINANCIAL STATEMENTS TO IRS FORM 5500

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

	At December 31,	
	2011	2010
Net assets available for benefits per the financial statements	\$ 668,575	\$ 641,801
Adjustment from fair value to contract value for fully benefit-responsive investment contracts	4,975	4,139
Amounts allocated to withdrawing participants	(92)	(183)
Deemed distribution of participant loans	(110)	(165)
Net assets available for ben		