

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K
ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended September 30, 2017

Commission File Number 1-11605



Incorporated in Delaware
500 South Buena Vista Street, Burbank, California 91521
(818) 560-1000

I.R.S. Employer Identification No.
95-4545390

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

<u>Title of Each Class</u>	<u>Name of Each Exchange on Which Registered</u>
Common Stock, \$.01 par value	New York Stock Exchange

Securities Registered Pursuant to Section 12(g) of the Act: None.

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer", "accelerated filer", "smaller reporting company", and "emerging growth company" in Rule 12b-2 of the Exchange Act (Check one).

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer (Do not check if smaller reporting company)	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

The aggregate market value of common stock held by non-affiliates (based on the closing price on the last business day of the registrant's most recently completed second fiscal quarter as reported on the New York Stock Exchange-Composite Transactions) was \$177.9 billion. All executive officers and directors of the registrant and all persons filing a Schedule 13D with the Securities and Exchange Commission in respect to registrant's common stock have been deemed, solely for the purpose of the foregoing calculation, to be "affiliates" of the registrant.

There were 1,510,312,194 shares of common stock outstanding as of November 15, 2017.

Documents Incorporated by Reference

Certain information required for Part III of this report is incorporated herein by reference to the proxy statement for the 2018 annual meeting of the Company's shareholders.

THE WALT DISNEY COMPANY AND SUBSIDIARIES

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PART I

ITEM 1. Business

The Walt Disney Company, together with its subsidiaries, is a diversified worldwide entertainment company with operations in four business segments: Media Networks, Parks and Resorts, Studio Entertainment, and Consumer Products & Interactive Media. For convenience, the terms “Company” and “we” are used to refer collectively to the parent company and the subsidiaries through which our various businesses are actually conducted.

Information on the Company’s revenues, segment operating income and identifiable assets appears in Note 1 to the Consolidated Financial Statements included in Item 8 hereof. The Company employed approximately 199,000 people as of September 30, 2017 .

The Company is preparing to launch two direct-to-consumer (DTC) streaming services, one in 2018 and one in late 2019. An ESPN-branded service distributing multi-sports content is planned for 2018 and a Disney-branded service distributing the Company’s film and television content is planned for 2019. In September 2017, the Company acquired a majority interest in BAMTech LLC (BAMTech), a streaming technology and content delivery business, which is providing technical support for the launch and distribution of these services (see Cable Networks for further discussion of BAMTech).

MEDIA NETWORKS

The Media Networks segment includes cable and broadcast television networks, television production and distribution operations, domestic television stations and radio networks and stations. The Company also has investments in entities that operate programming, distribution and content management services, including television networks, which are accounted for under the equity method of accounting.

The businesses in the Media Networks segment principally generate revenue from the following:

- fees charged to cable, satellite and telecommunications service providers (traditional Multi-channel Video Programming Distributors “MVPD”), over-the-top (OTT) digital MVPDs (“DMVPD”) collectively referred to as MVPDs and television stations affiliated with our domestic broadcast television network for the right to deliver our programs to their customers/subscribers (“affiliate fees”);
- the sale to advertisers of time in programs for commercial announcements (“ad sales”); and
- the sale to television networks and distributors for the right to use our television programming (“program sales”).

Operating expenses primarily consist of programming and production costs, participations and residuals expense, technical support costs, operating labor and distribution costs.

Cable Networks

Our primary cable networks are branded ESPN, Disney and Freeform. These networks produce their own programs or acquire rights from third parties to air their programs on our networks.

Cable networks derive the majority of their revenues from affiliate fees and, for certain networks (primarily ESPN and Freeform), ad sales. Generally, the Company’s cable networks provide programming services under multi-year agreements with MVPDs that include contractually determined rates on a per subscriber basis. The amounts that we can charge to MVPDs for our cable network services are largely dependent on the quality and quantity of programming that we can provide and the competitive market. The ability to sell time for commercial announcements and the rates received are primarily dependent on the size and nature of the audience that the network can deliver to the advertiser as well as overall advertiser demand. We also sell programming developed by our cable networks worldwide to television broadcasters, to subscription video-on-demand (SVOD) services (such as Netflix, Hulu and Amazon) and in home entertainment formats (such as DVD, Blu-ray and electronic home video license).

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The Company's significant cable channels and the number of subscribers as estimated by Nielsen Media Research ⁽¹⁾ (except where noted) are as follows:

	Estimated Subscribers (in millions)
ESPN - Domestic	
ESPN	88
ESPN2	87
ESPNU	67
ESPNEWS ⁽²⁾	66
SEC Network ⁽²⁾	60
Disney - Domestic	
Disney Channel	92
Disney Junior	72
Disney XD	74
Freeform	90
International Channels ⁽³⁾	
ESPN	146
Disney Channel	221
Disney Junior	151
Disney XD	127

⁽¹⁾ Nielsen Media Research estimates are as of September 2017 and capture traditional MVPD and certain DMVPD subscriber counts.

⁽²⁾ Because Nielsen Media Research does not measure these channels, estimated subscriber counts are according to SNL Kagan as of December 2016.

⁽³⁾ Because Nielsen Media Research and SNL Kagan do not measure these channels, estimated subscriber counts are based on internal management reports as of September 2017.

ESPN

ESPN is a multimedia sports entertainment company owned 80% by the Company and 20% by Hearst Corporation. ESPN operates eight 24-hour domestic television sports channels: ESPN and ESPN2 (sports channel dedicated to professional and college sports as well as sports news and original programming), ESPNU (a channel devoted to college sports), ESPNEWS, SEC Network (a sports programming channel dedicated to Southeastern Conference college athletics), ESPN Classic, Longhorn Network (a channel dedicated to The University of Texas athletics) and ESPN Deportes (a Spanish language channel), which are all simulcast in high definition except ESPN Classic. ESPN programs the sports schedule on the ABC Television Network, which is branded ESPN on ABC. ESPN owns 19 television channels outside of the United States (primarily in Latin America) that reach 61 countries and territories in four languages (English, Spanish, Portuguese and French).

ESPN holds rights for various professional and college sports programming including college football (including bowl games and the College Football Playoff) and basketball, the National Basketball Association (NBA), the National Football League (NFL), Major League Baseball (MLB), US Open Tennis, various soccer rights, the Wimbledon Championships and the Masters golf tournament.

ESPN also operates:

- ESPN.com - which delivers sports news, information and video on internet-connected devices, with a dozen editions in three languages globally. In the U.S., ESPN.com also features live video streams of ESPN channels to authenticated MVPD subscribers. Non-subscribers have limited access to certain content.
- ESPN App - which delivers scores, news, highlights, short form video, podcasts and live audio, with 11 editions in three languages globally. In the U.S., the ESPN app also features live video streams of ESPN's linear channels and exclusive events on internet-connected devices to authenticated MVPD subscribers. Non-subscribers have limited access to certain content.
- ESPN Events Management – which owns and operates the ESPYs (annual awards show), X Games (winter and summer action sports competitions) and a portfolio of collegiate sporting events including bowl games, basketball games and post-season award shows

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- ESPN Radio – which distributes talk and play by play programming and is one of the largest sports radio networks in the U.S. ESPN Radio network programming is carried on approximately 400 terrestrial stations including four ESPN owned stations in New York, Los Angeles, Chicago and Dallas and on satellite and internet radio
- ESPN The Magazine – which is a bi-weekly sports magazine

Disney

The Company operates over 100 Disney branded television channels, which are broadcast in 34 languages and 162 countries/territories, and Radio Disney. Branded channels include Disney Channel, Disney Junior, Disney XD, Disney Cinemagic, Disney Cinema, Hungama and DLife. Disney content is also available through video-on-demand services and online through our websites: DisneyChannel.com, DisneyXD.com and DisneyJunior.com. Programming for these channels includes internally developed and acquired programming.

Disney Channel, Disney Junior and Disney XD are available digitally through products that deliver live or on-demand programming on internet-connected devices to authenticated MVPD subscribers. Non-subscribers have limited access to select content on these platforms.

Disney Channel - Disney Channel is a cable channel that airs original series and movie programming targeted to kids ages 2 to 14. In the U.S., Disney Channel airs 24 hours a day. Disney Channel develops and produces shows for exhibition on its channel, including live-action comedy series, animated programming and preschool series as well as original movies. Disney Channel also airs programming and content from Disney's theatrical film and television programming library.

Disney Junior - Disney Junior is a cable channel that airs programming targeted to kids ages 2 to 7 and their parents and caregivers, featuring animated and live-action programming that blends Disney's storytelling and characters with learning. In the U.S., Disney Junior airs 24 hours a day. Disney Junior also airs as a programming block on the Disney Channel.

Disney XD - Disney XD is a cable channel that airs a mix of live-action and animated programming targeted to kids ages 6 to 11. In the U.S., Disney XD airs 24 hours a day.

Disney Cinemagic and *Disney Cinema* - Disney Cinemagic and Disney Cinema are premium subscription services, which are available in a limited number of countries in Europe, that air a selection of Disney movies, cartoons and shorts as well as animated television series.

Radio Disney - Radio Disney is targeted to kids, tweens and families reaching listeners through a national broadcast on various distribution platforms. Radio Disney is also available in Latin America on two owned terrestrial stations and through agreements with third-party radio stations.

Freeform

Freeform is a domestic cable channel targeted to viewers ages 14 to 34. Freeform produces original live-action programming, acquires programming from third parties, airs content from our owned theatrical film library and features branded holiday programming events such as "13 Nights of Halloween" and "25 Days of Christmas".

Freeform is available digitally through platforms that deliver either live or on-demand channel programming on internet-connected devices to authenticated MVPD subscribers. Non-subscribers have limited access to select Freeform programming.

Hungama

Hungama is a cable channel in India, which features a mix of animated series, movies and game shows, targeted at kids.

UTV/Bindass

We operate UTV and Bindass branded channels in India. UTV Action and UTV Movies offer Bollywood movies as well as Hindi dubbed Hollywood movies. Bindass is a youth entertainment channel, and Bindass Play is a music channel.

BAMTech

BAMTech LLC (BAMTech) is a streaming technology and content delivery business. The Company acquired 15% and 18% interests in BAMTech in August 2016 and January 2017, respectively. On September 25, 2017, the Company acquired an incremental 42% interest, bringing the Company's aggregate ownership interest to 75%, and the Company now consolidates BAMTech. Prior to September 25, 2017, BAMTech was accounted for as an equity investee, and the Company's share of the financial results were reported as "Equity in the income of investees" in the Company's Consolidated Statements of Income.

BAMTech generates revenue from providing technology services to video streaming services and from subscription and advertising revenue from direct-to-consumer streaming services it offers to consumers.

Broadcasting

Our broadcasting business includes a domestic broadcast network, television production and distribution operations, and eight owned domestic television stations.

Domestic Broadcast Television Network

The Company operates the ABC Television Network (ABC), which as of September 30, 2017, had affiliation agreements with 244 local television stations reaching almost 100% of U.S. television households. ABC broadcasts programs in the primetime, daytime, late night, news and sports “dayparts”.

ABC produces its own programs and also acquires programming rights from third parties as well as entities that are owned by or affiliated with the Company. ABC derives the majority of its revenues from ad sales. The ability to sell time for commercial announcements and the rates received are primarily dependent on the size and nature of the audience that the network can deliver to the advertiser as well as overall advertiser demand for time on network broadcasts. ABC also receives fees from affiliated television stations for the right to broadcast ABC programming.

ABC network programming is available digitally on internet-connected devices to authenticated MVPD subscribers. Non-subscribers have more limited access to on-demand episodes.

The ABC app and ABC.com provide online extensions to ABC programming including episodes and selected clips. ABCNews.com provides in-depth worldwide news coverage online and video-on-demand news reports from ABC News broadcasts. ABC News also has an agreement to provide news content to Yahoo! News.

Television Production

The Company produces the majority of its scripted television programs under the ABC Studios banner. Program development is carried out in collaboration with independent writers, producers and creative teams, with a focus on one-hour dramas and half-hour comedies, primarily for primetime broadcasts. Primetime programming produced either for our networks or for third parties for the 2017/2018 television season includes nine returning and eight new one-hour dramas and four new and three returning half-hour comedies. Additionally, the Company is producing four drama series for Netflix and one drama series for Hulu. The Company also produces *Jimmy Kimmel Live* for late night and a variety of primetime specials, as well as syndicated, news and daytime programming.

Television Distribution

We distribute the Company’s productions worldwide to television broadcasters, to SVOD services, and in home entertainment formats.

Domestic Television Stations

The Company owns eight television stations, six of which are located in the top ten television household markets in the U.S. The television stations derive the majority of their revenues from ad sales. The stations also receive affiliate fees from MVPDs. All of our television stations are affiliated with ABC and collectively reach 21% of the nation’s television households. Each owned station broadcasts three digital channels: the first consists of local, ABC and syndicated programming; the second is the Live Well Network; and the third is the LAFF Network.

The stations we own are as follows:

TV Station	Market	Television Market Ranking ⁽¹⁾
WABC	New York, NY	1
KABC	Los Angeles, CA	2
WLS	Chicago, IL	3
WPVI	Philadelphia, PA	4
KGO	San Francisco, CA	6
KTRK	Houston, TX	8
WTVD	Raleigh-Durham, NC	24
KFSN	Fresno, CA	54

⁽¹⁾ Based on Nielsen Media Research, U.S. Television Household Estimates, January 1, 2017

Equity Investments

The Company has investments in media businesses that are accounted for under the equity method, and the Company's share of the financial results for these equity investments are reported as "Equity in the income of investees" in the Company's Consolidated Statements of Income. The Company's significant media equity investments are as follows:

A+E and Vice

A+E Television Networks (A+E) is a joint venture owned 50% by the Company and 50% by the Hearst Corporation. A +E operates a variety of cable channels including:

- A&E – which offers entertainment programming including original reality and scripted series
- HISTORY – which offers original series and event-driven specials
- Lifetime – which is devoted to female-focused programming
- Lifetime Movie Network (LMN) – which is a 24-hour movie channel
- FYI – which offers contemporary lifestyle programming
- Lifetime Real Women – which is a 24-hour cable channel with programming focusing on women

A+E programming is available in over 200 countries and territories.

A+E has an 18% interest in Vice Group Holding, Inc. (Vice), which operates Viceland, a channel offering programming of lifestyle-oriented documentaries and reality series aimed towards millennials. Viceland is owned 50% by A+E and 50% by Vice. In addition, the Company has a 10% direct ownership interest in Vice.

A+E and Vice's significant cable channels and the number of domestic subscribers by channel as estimated by Nielsen Media Research ⁽¹⁾ are as follows:

	Estimated Subscribers (in millions) ⁽¹⁾
A+E	
A&E	91
HISTORY	92
Lifetime	91
LMN	73
FYI	58
Vice	
Viceland	70

⁽¹⁾ Nielsen Media Research estimates are as of September 2017 and capture traditional MVPD and certain DMVPD subscriber counts.

CTV

ESPN holds a 30% equity interest in CTV Specialty Television, Inc., which owns television channels in Canada, including The Sports Networks (TSN) 1-5, Le Réseau des Sports (RDS), RDS2, RDS Info, ESPN Classic Canada, Discovery Canada and Animal Planet Canada.

Hulu

Hulu LLC (Hulu) aggregates acquired television and film entertainment content and original content produced by Hulu and distributes it digitally to internet-connected devices. Hulu offers a subscription-based service with limited commercials and a subscription-based service with no commercials. In May 2017, Hulu launched an OTT service, which offers live streams of broadcast and cable channels, including the major broadcast networks.

The Company licenses television and film programming to Hulu in the ordinary course of business. The Company defers a portion of its profits from these transactions until Hulu recognizes third-party revenue from the exploitation of the rights. The portion that is deferred reflects our ownership interest in Hulu.

Hulu is owned 30% each by the Company, Twenty-First Century Fox, Inc. and Comcast Corporation. Time Warner, Inc. (TW) holds the remaining 10% interest in the venture, which was acquired from Hulu for \$583 million in August 2016. For not more than 36 months from August 2016, TW may put its shares to Hulu or Hulu may call the shares from TW under certain

limited circumstances arising from regulatory review. The Company and Twenty-First Century Fox, Inc. have agreed to make a capital contribution for up to approximately \$300 million each if required to fund the repurchase of shares from TW.

Seven TV

Seven TV operates an advertising-supported, free-to-air Disney Channel in Russia. The Company has a 20% ownership interest and a 49% economic interest in the business.

Competition and Seasonality

The Company's Media Networks businesses compete for viewers primarily with other television and cable networks, independent television stations and other media, such as online video services and video games. With respect to the sale of advertising time, we compete with other television networks and radio stations, independent television stations, MVPDs and other advertising media such as digital content, newspapers, magazines and billboards. Our television and radio stations primarily compete for audiences and advertisers in local market areas.

The Company's Media Networks businesses face competition from other networks for advertising revenue and carriage by MVPDs and face competition from online services. The Company's contractual agreements with MVPDs are renewed or renegotiated from time to time in the ordinary course of business. Consolidation and other market conditions in the cable, satellite and telecommunication distribution industry and other factors may adversely affect the Company's ability to obtain and maintain contractual terms for the distribution of its various cable programming services that are as favorable as those currently in place.

The Company's Media Networks businesses also compete for the acquisition of sports, talent, show concepts and other programming. The market for programming is very competitive, particularly for live sports programming.

The Company's internet websites and digital products compete with other websites and entertainment products.

Advertising revenues at Media Networks are subject to seasonal advertising patterns and changes in viewership levels. Revenues are typically somewhat higher during the fall and somewhat lower during the summer months. Affiliate fees are generally collected ratably throughout the year.

Federal Regulation

Television and radio broadcasting are subject to extensive regulation by the Federal Communications Commission (FCC) under federal laws and regulations, including the Communications Act of 1934, as amended. Violation of FCC regulations can result in substantial monetary forfeitures, limited renewals of licenses and, in egregious cases, denial of license renewal or revocation of a license. FCC regulations that affect our Media Networks segment include the following:

- *Licensing of television and radio stations.* Each of the television and radio stations we own must be licensed by the FCC. These licenses are granted for periods of up to eight years, and we must obtain renewal of licenses as they expire in order to continue operating the stations. We (and the acquiring entity in the case of a divestiture) must also obtain FCC approval whenever we seek to have a license transferred in connection with the acquisition or divestiture of a station. The FCC may decline to renew or approve the transfer of a license in certain circumstances and may delay renewals while permitting a licensee to continue operating. Although we have received such renewals and approvals in the past or have been permitted to continue operations when renewal is delayed, there can be no assurance that this will be the case in the future.
- *Television and radio station ownership limits.* The FCC imposes limitations on the number of television stations and radio stations we can own in a specific market, on the combined number of television and radio stations we can own in a single market and on the aggregate percentage of the national audience that can be reached by television stations we own. Currently:
 - FCC regulations may restrict our ability to own more than one television station in a market, depending on the size and nature of the market. We do not own more than one television station in any market.
 - Federal statutes permit our television stations in the aggregate to reach a maximum of 39% of the national audience. Pursuant to the most recent decision by the FCC as to how to calculate compliance with this limit, our eight stations reach approximately 21% of the national audience.
 - FCC regulations in some cases impose restrictions on our ability to acquire additional radio or television stations in the markets in which we own radio stations, but we do not believe any such limitations are material to our current operating plans.
- *Dual networks.* FCC rules currently prohibit any of the four major broadcast television networks — ABC, CBS, Fox and NBC — from being under common ownership or control.

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- *Regulation of programming.* The FCC regulates broadcast programming by, among other things, banning “indecent” programming, regulating political advertising and imposing commercial time limits during children’s programming. Penalties for broadcasting indecent programming can range up to nearly \$400 thousand per indecent utterance or image per station.

Federal legislation and FCC rules also limit the amount of commercial matter that may be shown on broadcast or cable channels during programming designed for children 12 years of age and younger. In addition, broadcast channels are generally required to provide a minimum of three hours per week of programming that has as a “significant purpose” meeting the educational and informational needs of children 16 years of age and younger. FCC rules also give television station owners the right to reject or refuse network programming in certain circumstances or to substitute programming that the licensee reasonably believes to be of greater local or national importance.

- *Cable and satellite carriage of broadcast television stations.* With respect to cable systems operating within a television station’s Designated Market Area, FCC rules require that every three years each television station elect either “must carry” status, pursuant to which cable operators generally must carry a local television station in the station’s market, or “retransmission consent” status, pursuant to which the cable operator must negotiate with the television station to obtain the consent of the television station prior to carrying its signal. Under the Satellite Home Viewer Improvement Act and its successors, including most recently the STELA Reauthorization Act (STELAR), which also requires the “must carry” or “retransmission consent” election, satellite carriers are permitted to retransmit a local television station’s signal into its local market with the consent of the local television station. The ABC owned television stations have historically elected retransmission consent. Portions of these satellite laws are set to expire on December 31, 2019.
- *Cable and satellite carriage of programming.* The Communications Act and FCC rules regulate some aspects of negotiations regarding cable and satellite retransmission consent, and some cable and satellite companies have sought regulation of additional aspects of the carriage of programming on cable and satellite systems. New legislation, court action or regulation in this area could have an impact on the Company’s operations.

The foregoing is a brief summary of certain provisions of the Communications Act, other legislation and specific FCC rules and policies. Reference should be made to the Communications Act, other legislation, FCC rules and public notices and rulings of the FCC for further information concerning the nature and extent of the FCC’s regulatory authority.

FCC laws and regulations are subject to change, and the Company generally cannot predict whether new legislation, court action or regulations, or a change in the extent of application or enforcement of current laws and regulations, would have an adverse impact on our operations.

PARKS AND RESORTS

The Company owns and operates the Walt Disney World Resort in Florida; the Disneyland Resort in California; Disneyland Paris; Aulani, a Disney Resort & Spa in Hawaii; the Disney Vacation Club; the Disney Cruise Line; and Adventures by Disney. The Company manages and has effective ownership interests of 47% in Hong Kong Disneyland Resort and 43% in Shanghai Disney Resort, both of which are consolidated in our financial statements. The Company also licenses our intellectual property to a third party to operate the Tokyo Disney Resort in Japan. The Company’s Walt Disney Imagineering unit designs and develops new theme park concepts and attractions as well as resort properties.

The businesses in the Parks and Resorts segment generate revenues from the sale of admissions to theme parks, sales of food, beverage and merchandise, charges for room nights at hotels, sales of cruise and other vacation packages and sales, as well as rentals of vacation club properties. Revenues are also generated from sponsorships and co-branding opportunities, real estate rent and sales, and royalties from Tokyo Disney Resort. Significant costs include labor, infrastructure costs, depreciation, costs of merchandise, food and beverage sold, marketing and sales expense and cost of vacation club units. Infrastructure costs include information systems expense, repairs and maintenance, utilities and fuel, property taxes, insurance and transportation.

Walt Disney World Resort

The Walt Disney World Resort is located 22 miles southwest of Orlando, Florida, on approximately 25,000 acres of land. The resort includes theme parks (the Magic Kingdom, Epcot, Disney’s Hollywood Studios and Disney’s Animal Kingdom); hotels; vacation club properties; a retail, dining and entertainment complex (Disney Springs); a sports complex; conference centers; campgrounds; golf courses; water parks; and other recreational facilities designed to attract visitors for an extended stay.

The Walt Disney World Resort is marketed through a variety of international, national and local advertising and promotional activities. A number of attractions and restaurants in each of the theme parks are sponsored or operated by other corporations through multi-year agreements.

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Magic Kingdom — The Magic Kingdom consists of six themed areas: Adventureland, Fantasyland, Frontierland, Liberty Square, Main Street USA and Tomorrowland. Each land provides a unique guest experience featuring themed attractions, live Disney character interactions, restaurants, refreshment areas and merchandise shops. Additionally, there are daily parades and a nighttime fireworks event.

Epcot — Epcot consists of two major themed areas: Future World and World Showcase. Future World dramatizes certain historical developments and addresses the challenges facing the world today through pavilions devoted to showcasing science and technology innovations, communication, transportation, use of imagination, nature and food production, the ocean environment and space. World Showcase presents a community of nations focusing on the culture, traditions and accomplishments of people around the world. Countries represented with pavilions include Canada, China, France, Germany, Italy, Japan, Mexico, Morocco, Norway, the United Kingdom and the United States. Both areas feature themed attractions, restaurants and merchandise shops. Epcot also features a nighttime entertainment event.

Disney's Hollywood Studios — Disney's Hollywood Studios consists of seven themed areas: Animation Courtyard, Commissary Lane, Echo Lake, Hollywood Boulevard, Muppets Courtyard, Pixar Place and Sunset Boulevard. The areas provide behind-the-scenes glimpses of Hollywood-style action through various shows and attractions and offer themed food service and merchandise facilities. The park also features nighttime entertainment events. The Company is constructing two new themed areas, one based on the Toy Story franchise that is scheduled to open in 2018 and the other based on Star Wars that is scheduled to open in 2019.

Disney's Animal Kingdom — Disney's Animal Kingdom consists of a 145-foot tall Tree of Life centerpiece surrounded by seven themed areas: Africa, Asia, DinoLand USA, Discovery Island, Oasis, Pandora - The World of Avatar and Rafiki's Planet Watch. Each themed area contains attractions, entertainment, restaurants and merchandise shops. The park features more than 300 species of mammals, birds, reptiles and amphibians and 3,000 varieties of vegetation. Disney's Animal Kingdom also features a nighttime entertainment event.

Hotels, Vacation Club Properties and Other Resort Facilities — As of September 30, 2017, the Company owned and operated 18 resort hotels and vacation club facilities at the Walt Disney World Resort, with approximately 22,000 rooms and 3,200 vacation club units. Resort facilities include 468,000 square feet of conference meeting space and Disney's Fort Wilderness camping and recreational area, which offers approximately 800 campsites. In 2017, the Company began construction on a new 500-hotel room tower scheduled to open in 2019 at Disney's Coronado Springs Resort.

Disney Springs is a 127-acre retail, dining and entertainment complex and consists of four areas: Marketplace, The Landing, Town Center and West Side. The areas are home to more than 150 venues including the 51,000-square-foot World of Disney retail store. Most of the Disney Springs facilities are operated by third parties that pay rent to the Company.

Nine independently-operated hotels with approximately 6,000 rooms are situated on property leased from the Company.

ESPN Wide World of Sports Complex is a 230-acre center that hosts professional caliber training and competitions, festival and tournament events and interactive sports activities. The complex, which welcomes both amateur and professional athletes, accommodates multiple sporting events, including baseball, basketball, football, soccer, softball, tennis and track and field. It also includes a 9,500-seat stadium. In 2016, the Company began construction on an additional indoor sports venue that will have 8,000 seats and host cheer, dance, basketball and volleyball competitions.

Other recreational amenities and activities available at the Walt Disney World Resort include three championship golf courses, miniature golf courses, full-service spas, tennis, sailing, water skiing, swimming, horseback riding and a number of other sports and leisure time activities. The resort also includes two water parks: Disney's Blizzard Beach and Disney's Typhoon Lagoon.

Disneyland Resort

The Company owns 486 acres and has the rights under long-term lease for use of an additional 55 acres of land in Anaheim, California. The Disneyland Resort includes two theme parks (Disneyland and Disney California Adventure), three resort hotels and a retail, dining and entertainment complex (Downtown Disney).

The Disneyland Resort is marketed through a variety of international, national and local advertising and promotional activities. A number of the attractions and restaurants in the theme parks are sponsored or operated by other corporations through multi-year agreements.

Disneyland — Disneyland consists of eight themed areas: Adventureland, Critter Country, Fantasyland, Frontierland, Main Street USA, Mickey's Toontown, New Orleans Square and Tomorrowland. These areas feature themed attractions, shows,

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restaurants, merchandise shops and refreshment stands. Additionally, Disneyland offers daily parades and nighttime fireworks and entertainment events. The Company is constructing a new Star Wars-themed area that is scheduled to open in 2019.

Disney California Adventure — Disney California Adventure is adjacent to Disneyland and includes seven themed areas: Buena Vista Street, Cars Land, Grizzly Peak, Hollywood Land, Pacific Wharf, Paradise Pier and “a bug’s land”. These areas include attractions, shows, restaurants, merchandise shops and refreshment stands. Additionally, Disney California Adventure offers a nighttime entertainment event .

Hotels, Vacation Club Units and Other Resort Facilities — Disneyland Resort includes three Company-owned and operated hotels and vacation club facilities with approximately 2,400 rooms, 50 vacation club units and 180,000 square feet of conference meeting space. The Company plans to build a fourth hotel with 700 rooms opening in 2021.

Downtown Disney is a themed 15-acre, retail, entertainment and dining outdoor complex with approximately 30 venues located adjacent to both Disneyland and Disney California Adventure. Most of the Downtown Disney facilities are operated by third parties that pay rent to the Company. The Company plans to build a new 6,500-space parking garage scheduled to open in 2019.

Aulani, a Disney Resort & Spa

Aulani, a Disney Resort & Spa, is a Company operated family resort on a 21-acre oceanfront property on Oahu, Hawaii featuring 351 hotel rooms, an 18,000-square-foot spa and 12,000 square feet of conference meeting space. The resort also has 481 Disney Vacation Club units.

Disneyland Paris

Disneyland Paris is located on a 5,510-acre development in Marne-la-Vallée, approximately 20 miles east of Paris, France. The land is being developed pursuant to a master agreement with French governmental authorities. Disneyland Paris includes two theme parks (Disneyland Park and Walt Disney Studios Park); seven themed resort hotels; two convention centers; a shopping, dining and entertainment complex (Disney Village); and a 27-hole golf facility. Of the 5,510 acres comprising the site, approximately half have been developed to date, including a planned community development (Val d’Europe) and an eco-tourism destination (Villages Nature).

During fiscal 2017, the Company increased its effective ownership interest from 81% to 100% of Disneyland Paris (see Note 6 to the Consolidated Financial Statements).

Disneyland Park — Disneyland Park consists of five themed areas: Adventureland, Discoveryland, Fantasyland, Frontierland and Main Street USA. These areas include themed attractions, shows, restaurants, merchandise shops and refreshment stands. Disneyland Park also features a daily parade and a nighttime entertainment event.

Walt Disney Studios Park — Walt Disney Studios Park takes guests into the worlds of cinema, animation and television and includes four themed areas: Backlot, Front Lot, Production Courtyard and Toon Studio. These areas each include themed attractions, shows, restaurants, merchandise shops and refreshment stands.

Hotels and Other Facilities — Disneyland Paris operates seven resort hotels, with approximately 5,800 rooms and 210,000 square feet of conference meeting space. In addition, nine on-site hotels that are owned and operated by third parties provide approximately 2,700 rooms.

Disney Village is a 500,000-square-foot retail, dining and entertainment complex located between the theme parks and the hotels. A number of the Disney Village facilities are operated by third parties and pay rent to Disneyland Paris.

Val d’Europe is a planned community near Disneyland Paris that is being developed in phases. Val d’Europe currently includes a regional train station, hotels and a town center consisting of a shopping center as well as office, commercial and residential space. Third parties operate these developments on land leased or purchased from Disneyland Paris.

Disneyland Paris along with its 50% joint venture partner, Pierre & Vacances-Center Parcs, is developing Villages Nature, a European eco-tourism destination adjacent to the resort. Villages Nature, which opened its first phase in September 2017, currently consists of recreational facilities and 916 vacation rental units.

Hong Kong Disneyland Resort

The Company owns a 47% interest in Hong Kong Disneyland Resort through Hongkong International Theme Parks Limited, an entity in which the Government of the Hong Kong Special Administrative Region (HKSAR) owns a 53% majority interest. The resort is located on 310 acres on Lantau Island and is in close proximity to the Hong Kong International Airport.

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Hong Kong Disneyland Resort includes one theme park and three themed resort hotels. A separate Hong Kong subsidiary of the Company is responsible for managing Hong Kong Disneyland Resort. The Company is entitled to receive royalties and management fees based on the operating performance of Hong Kong Disneyland Resort.

Hong Kong Disneyland — Hong Kong Disneyland consists of seven themed areas: Adventureland, Fantasyland, Grizzly Gulch, Main Street USA, Mystic Point, Tomorrowland and Toy Story Land. These areas feature themed attractions, shows, restaurants, merchandise shops and refreshment stands. Additionally, there are daily parades and a nighttime fireworks event. In October 2017, construction began on an expansion of the park that will open in phases by 2023 and add a number of new guest offerings including two new themed areas.

Hotels — Hong Kong Disneyland Resort includes three themed hotels with a total of 1,750 rooms.

Shanghai Disney Resort

The Company owns a 43% interest in Shanghai Disney Resort, which opened in June 2016. Shanghai Shendi (Group) Co., Ltd (Shendi), owns a 57% interest. The resort is located in the Pudong district of Shanghai on approximately 1,000 acres of land, which includes the Shanghai Disneyland theme park; two themed resort hotels; a retail, dining and entertainment complex (Disneytown); and an outdoor recreation area. A management company, in which the Company has a 70% interest and Shendi has a 30% interest, is responsible for operating the resort and receives a management fee based on the operating performance of Shanghai Disney Resort. The Company is also entitled to royalties based on the resort's revenues.

Shanghai Disneyland — Shanghai Disneyland consists of six themed areas: Adventure Isle, Fantasyland, Gardens of Imagination, Mickey Avenue, Tomorrowland and Treasure Cove. These areas feature themed attractions, shows, restaurants, merchandise shops and refreshment stands. Additionally, there are daily parades and a nighttime fireworks event. In 2016, construction began on a seventh themed area based on the Toy Story franchise, which is set to open in 2018.

Hotels and Other Facilities - Shanghai Disneyland Resort includes two themed hotels with a total of 1,220 rooms. Disneytown is an 11-acre outdoor complex of dining, shopping and entertainment venues located adjacent to Shanghai Disneyland. Most Disneytown facilities are operated by third parties that pay rent to Shanghai Disney Resort.

Tokyo Disney Resort

Tokyo Disney Resort is located on 494 acres of land, six miles east of downtown Tokyo, Japan. The resort includes two theme parks (Tokyo Disneyland and Tokyo DisneySea); four Disney-branded hotels; six independently operated hotels; a retail, dining and entertainment complex (Ikspiari); and Bon Voyage, a Disney-themed merchandise location.

The Company earns royalties on revenues generated by the Tokyo Disney Resort, which is owned and operated by Oriental Land Co., Ltd. (OLC), a third-party Japanese corporation.

Tokyo Disneyland — Tokyo Disneyland consists of seven themed areas: Adventureland, Critter Country, Fantasyland, Tomorrowland, Toontown, Westernland and World Bazaar. OLC has begun construction on an expansion of Tokyo Disneyland, which is scheduled to open in 2020.

Tokyo DisneySea — Tokyo DisneySea, adjacent to Tokyo Disneyland, is divided into seven “ports of call,” including American Waterfront, Arabian Coast, Lost River Delta, Mediterranean Harbor, Mermaid Lagoon, Mysterious Island and Port Discovery.

Hotels and Other Resort Facilities — Tokyo Disney Resort includes four Disney-branded hotels with a total of more than 2,400 rooms and a monorail, which links the theme parks and resort hotels with Ikspiari.

Disney Vacation Club

Disney Vacation Club (DVC) offers ownership interests in 14 resort facilities located at the Walt Disney World Resort; Disneyland Resort; Aulani; Vero Beach, Florida; and Hilton Head Island, South Carolina. Available units are offered for sale under a vacation ownership plan and are operated as hotel rooms when not occupied by vacation club members. The Company's vacation club units range from deluxe studios to three-bedroom grand villas. Unit counts in this document are presented in terms of two-bedroom equivalents. DVC had approximately 4,000 equivalent vacation club units as of September 30, 2017. The Company has announced plans to build Disney's Riviera Resort, a 300-unit DVC property at the Walt Disney World Resort that is targeted to open in 2019, which is replacing two hotel buildings at Disney's Caribbean Beach Resort.

Disney Cruise Line

Disney Cruise Line is a four-ship vacation cruise line, which operates out of ports in North America and Europe. The *Disney Magic* and the *Disney Wonder* are approximately 85,000-ton 875-stateroom ships, and the *Disney Dream* and the *Disney Fantasy* are approximately 130,000-ton 1,250-stateroom ships. The ships cater to families, children, teenagers and adults, with distinctly-themed areas and activities for each group. Many cruise vacations include a visit to Disney's Castaway Cay, a 1,000-acre private Bahamian island. The Company is expanding its cruise business by adding three new ships to be delivered in calendar 2021, 2022 and 2023. The new ships will each be approximately 135,000 tons with 1,250 staterooms.

Adventures by Disney

Adventures by Disney offers all-inclusive guided vacation tour packages predominantly at non-Disney sites around the world. The Company offered 40 different tour packages during 2017.

Walt Disney Imagineering

Walt Disney Imagineering provides master planning, real estate development, attraction, entertainment and show design, engineering support, production support, project management and research and development for the Company's Parks and Resorts operations.

Competition and Seasonality

The Company's theme parks and resorts as well as Disney Cruise Line and Disney Vacation Club compete with other forms of entertainment, lodging, tourism and recreational activities. The profitability of the leisure-time industry may be influenced by various factors that are not directly controllable, such as economic conditions including business cycle and exchange rate fluctuations, the political environment, travel industry trends, amount of available leisure time, oil and transportation prices, weather patterns and natural disasters.

All of the theme parks and the associated resort facilities are operated on a year-round basis. Typically, theme park attendance and resort occupancy fluctuate based on the seasonal nature of vacation travel and leisure activities, the opening of new guest offerings, and pricing and promotional offers. Peak attendance and resort occupancy generally occur during the summer months when school vacations occur and during early-winter and spring-holiday periods.

STUDIO ENTERTAINMENT

The Studio Entertainment segment produces and acquires live-action and animated motion pictures, direct-to-video content, musical recordings and live stage plays.

The businesses in the Studio Entertainment segment generate revenue from distribution of films in the theatrical, home entertainment and television and SVOD markets, stage play ticket sales, music distribution and licensing of Company intellectual property for use in live entertainment productions. Significant operating expenses include amortization of production, participations and residuals costs, marketing and sales costs, distribution expenses and costs of sales.

The Company distributes films primarily under the Walt Disney Pictures, Pixar, Marvel, Lucasfilm and Touchstone banners. In addition, the Company distributes Dreamworks Studios (Dreamworks) produced live-action films that were released theatrically from 2010 through 2016.

Prior to the Company's acquisition of Marvel in fiscal year 2010, Marvel had licensed the rights to third-party studios to produce and distribute feature films based on certain Marvel properties including Spider-Man, The Fantastic Four and X-Men. Under the licensing arrangements, the third-party studios incur the costs to produce and distribute the films, and the Company retains the merchandise licensing rights. Under the licensing arrangement for Spider-Man, the Company pays the third-party studio a licensing fee based on each film's box office receipts, subject to specified limits. Under the licensing arrangements for The Fantastic Four and X-Men, the third-party studio pays the Company a licensing fee and receives a share of the Company's merchandise revenue on these properties. The Company distributes all Marvel-produced films with the exception of *The Incredible Hulk*, which is distributed by a third-party studio.

Prior to the Company's acquisition of Lucasfilm in fiscal year 2013, Lucasfilm produced six Star Wars films (Episodes 1 through 6). Lucasfilm retained the merchandise licensing rights related to all of those films and the rights related to television and electronic distribution formats for all of those films, with the exception of the rights for Episode 4, which are owned by a third-party studio. All of those films are distributed by a third-party studio in the theatrical and home entertainment markets. The theatrical and home entertainment distribution rights for these films revert back to Lucasfilm in May 2020 with the exception of Episode 4, for which these distribution rights are retained in perpetuity by the third-party studio.

Lucasfilm also includes Industrial Light & Magic and Skywalker Sound, which provide visual and audio effects and other post-production services to the Company and third-party producers.

Theatrical Market

We produce and distribute both live-action films and full-length animated films. In the domestic theatrical market, we generally distribute and market our filmed products directly. In most major international markets, we distribute our filmed products directly while in other markets our films are distributed by independent companies or joint ventures. During fiscal 2018, we expect to release ten of our own produced feature films. Cumulatively through September 30, 2017 the Company has released domestically approximately 1,000 full-length live-action features and 100 full-length animated features.

The Company incurs significant marketing and advertising costs before and throughout the theatrical release of a film in an effort to generate public awareness of the film, to increase the public's intent to view the film and to help generate consumer interest in the subsequent home entertainment and other ancillary markets. These costs are expensed as incurred. Therefore, we may incur a loss on a film in the theatrical markets, including in periods prior to the theatrical release of the film.

Home Entertainment Market

In the domestic market, we distribute home entertainment releases directly under each of our motion picture banners. In international markets, we distribute home entertainment releases under our motion picture banners both directly and through independent distribution companies. We also produce original content domestically and acquire content internationally for direct-to-video release.

Domestic and international home entertainment distribution typically starts three to six months after the theatrical release in each market. Home entertainment releases are distributed in physical (DVD and Blu-ray) and electronic formats. Electronic formats may be released up to four weeks ahead of the physical release. Physical formats are generally sold to retailers, such as Wal-Mart and Target and electronic formats are sold through e-tailers, such as Apple and Amazon. Titles are also sold to physical rental services, such as Netflix. However, distribution by physical rental services may be delayed up to 28 days after the start of home entertainment distribution.

As of September 30, 2017, we had approximately 1,400 active produced and acquired titles, including 1,000 live-action titles and 400 animated titles, in the domestic home entertainment marketplace and approximately 1,900 active produced and acquired titles, including 1,300 live-action titles and 600 animated titles, in the international marketplace.

Television Market

In the television market, we license our films to cable and broadcast networks, television stations and other video service providers, which may provide the content to viewers on television or a variety of internet-connected devices.

Video-on-Demand (VOD) — Concurrently with physical home entertainment distribution, we license titles to VOD service providers for electronic delivery to consumers for a specified rental period.

Pay Television (Pay 1) — In the U.S., there are two or three pay television windows. The first window is generally eighteen months in duration and follows the VOD window. The Company has licensed exclusive domestic pay television rights to Netflix, which operates a subscription video on demand (SVOD) service, for all films released theatrically during calendar years 2016 through 2018, with the exception of DreamWorks films. Most films released theatrically prior to calendar year 2016 have been licensed to the Starz pay television service. DreamWorks titles that are distributed by the Company are licensed to Showtime under a separate agreement.

Free Television (Free 1) — The Pay 1 window is followed by a television window that may last up to 84 months. Motion pictures are usually sold in the Free 1 window to basic cable networks.

Pay Television 2 (Pay 2) and Free Television 2 (Free 2) — In the U.S., Free 1 is generally followed by a twelve to nineteen-month Pay 2 window under our license arrangements with Netflix, Starz and Showtime. The Pay 2 window is followed by a Free 2 window, whereby films are licensed to basic cable networks, SVOD services and to television station groups.

Pay Television 3 (Pay 3) and Free Television 3 (Free 3) — In the U.S., Free 2 is sometimes followed by a seven-month Pay 3 window, and then by a Free 3 window. In the Free 3 window, films are licensed to basic cable networks, SVOD services and to television station groups.

International Television — The Company also licenses its films outside of the U.S. The typical windowing sequence is consistent with the domestic cycle such that titles premiere on VOD services and then on pay TV or SVOD services before airing in free TV. Windowing strategies are developed in response to local market practices and conditions, and the exact sequence and length of each window can vary country by country.

Disney Music Group

The Disney Music Group (DMG) commissions new music for the Company's motion pictures and television programs and develops, produces, markets and distributes recorded music worldwide either directly or through license agreements. DMG also licenses the songs and recording copyrights to third parties for printed music, records, audio-visual devices, public performances and digital distribution and produces live musical concerts. DMG includes Walt Disney Records, Hollywood Records, Disney Music Publishing and Disney Concerts.

Disney Theatrical Group

Disney Theatrical Group develops, produces and licenses live entertainment events on Broadway and around the world, including *The Lion King*, *Aladdin*, *Newsies*, *Mary Poppins* (a co-production with Cameron Mackintosh Ltd), *Beauty and the Beast*, Elton John & Tim Rice's *Aida*, *TARZAN*® and *The Little Mermaid*. The new musical *Frozen* will open on Broadway in spring 2018.

Disney Theatrical Group also licenses the Company's intellectual property to Feld Entertainment, the producer of *Disney On Ice* and *Marvel Universe Live!*.

Competition and Seasonality

The Studio Entertainment businesses compete with all forms of entertainment. A significant number of companies produce and/or distribute theatrical and television films, exploit products in the home entertainment market, provide pay television and SVOD programming services, produce music and sponsor live theater. We also compete to obtain creative and performing talents, story properties, advertiser support and broadcast rights that are essential to the success of our Studio Entertainment businesses.

The success of Studio Entertainment operations is heavily dependent upon public taste and preferences. In addition, Studio Entertainment operating results fluctuate due to the timing and performance of releases in the theatrical, home entertainment and television markets. Release dates are determined by several factors, including competition and the timing of vacation and holiday periods.

CONSUMER PRODUCTS & INTERACTIVE MEDIA

The Consumer Products & Interactive Media segment licenses the Company's trade names, characters and visual and literary properties to various manufacturers, game developers, publishers and retailers throughout the world. We also develop and publish games, primarily for mobile platforms, and books, magazines and comic books. The segment also distributes branded merchandise directly through retail, online and wholesale businesses. In addition, the segment's operations include website management and design, primarily for other Company businesses, and the development and distribution of online video content.

The Consumer Products & Interactive Media segment generates revenue primarily from:

- licensing characters and content from our film, television and other properties to third parties for use on consumer merchandise, published materials and in multi-platform games;
- selling merchandise through our retail stores, internet shopping sites and to wholesalers;
- selling games through app distributors and online and through consumers' in-game purchases;
- selling self-published children's books and magazines and comic books to wholesalers;
- selling advertising in online video content; and
- charging tuition at English language learning centers in China (Disney English).

Significant costs include costs of goods sold and distribution expenses, operating labor and retail occupancy costs, product development and marketing.

Merchandise Licensing

The Company's merchandise licensing operations cover a diverse range of product categories, the most significant of which are: toys, apparel, home décor and furnishings, accessories, stationery, health and beauty, food, footwear and consumer

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electronics. The Company licenses characters from its film, television and other properties for use on third-party products in these categories and earns royalties, which are usually based on a fixed percentage of the wholesale or retail selling price of the products. Some of the major properties licensed by the Company include: Mickey and Minnie, Star Wars, *Frozen*, Disney Princess, Disney Channel characters, Cars, Spider-Man, Avengers, Winnie the Pooh, Finding Dory/Finding Nemo and Disney Classics.

Retail

The Company markets Disney-, Marvel- and Lucasfilm-themed products through retail stores operated under the Disney Store name and through internet sites in North America (shopDisney.com and shop.Marvel.com), Western Europe, Japan and China. The stores are generally located in leading shopping malls and other retail complexes. The Company currently owns and operates 221 stores in North America, 87 stores in Europe, 55 stores in Japan and two stores in China. The Company also sells merchandise to retailers under wholesale arrangements.

Games

The Company licenses our properties to third-party game developers. We also develop and publish games, primarily for mobile platforms.

Publishing

The Company creates, distributes, licenses and publishes a variety of products in multiple countries and languages based on the Company's branded franchises. The products include children's books, comic books, graphic novel collections, learning products and storytelling apps. Disney English develops and delivers an English language learning curriculum for Chinese children using Disney content in 27 learning centers in six cities across China.

Other Content

Disney Digital Network (DDN), which includes Maker Studios, distributes online video content with advertisements and provides online marketing services. Maker Studios is a network and developer of online video content distributed primarily on YouTube. The Company also licenses Disney properties and content to mobile phone carriers in Japan. In addition, the Company develops, publishes and distributes interactive family content through Disney.com, Disney on YouTube, Babble.com and various Disney-branded apps.

Competition and Seasonality

The Consumer Products & Interactive Media businesses compete with other licensors, retailers and publishers of character, brand and celebrity names, as well as other licensors, publishers and developers of game software, online video content, internet websites, other types of home entertainment and retailers of toys and kids merchandise. Operating results are influenced by seasonal consumer purchasing behavior, consumer preferences, levels of marketing and promotion and by the timing and performance of theatrical and game releases and cable programming broadcasts.

INTELLECTUAL PROPERTY PROTECTION

The Company's businesses throughout the world are affected by its ability to exploit and protect against infringement of its intellectual property, including trademarks, trade names, copyrights, patents and trade secrets. Important intellectual property includes rights in the content of motion pictures, television programs, electronic games, sound recordings, character likenesses, theme park attractions, books and magazines. Risks related to the protection and exploitation of intellectual property rights are set forth in Item 1A – Risk Factors.

AVAILABLE INFORMATION

Our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports are available without charge on our website, www.disney.com/investors, as soon as reasonably practicable after they are filed electronically with the Securities and Exchange Commission (SEC). We are providing the address to our internet site solely for the information of investors. We do not intend the address to be an active link or to otherwise incorporate the contents of the website into this report.

ITEM 1A. Risk Factors

For an enterprise as large and complex as the Company, a wide range of factors could materially affect future developments and performance. In addition to the factors affecting specific business operations identified in connection with

the description of these operations and the financial results of these operations elsewhere in this report, the most significant factors affecting our operations include the following:

Changes in U.S., global, or regional economic conditions could have an adverse effect on the profitability of some or all of our businesses.

A decline in economic activity in the U.S. and other regions of the world in which we do business can adversely affect demand for any of our businesses, thus reducing our revenue and earnings. Past declines in economic conditions reduced spending at our parks and resorts, purchase of and prices for advertising on our broadcast and cable networks and owned stations, performance of our home entertainment releases, and purchases of Company-branded consumer products, and similar impacts can be expected should such conditions recur. A decline in economic conditions could also reduce attendance at our parks and resorts, prices that MVPDs pay for our cable programming or subscription levels for our cable programming. Recent instability in non-U.S. economies has had some of these and similar impacts on some of our domestic and overseas operations. Economic conditions can also impair the ability of those with whom we do business to satisfy their obligations to us. In addition, an increase in price levels generally, or in price levels in a particular sector such as the energy sector, could result in a shift in consumer demand away from the entertainment and consumer products we offer, which could also adversely affect our revenues and, at the same time, increase our costs. Changes in exchange rates for foreign currencies may reduce international demand for our products or increase our labor or supply costs in non-U.S. markets, and recent changes have reduced the U.S. dollar value of revenue we receive and expect to receive from other markets. Economic or political conditions in a country could also reduce our ability to hedge exposure to currency fluctuations in the country or our ability to repatriate revenue from the country.

Changes in public and consumer tastes and preferences for entertainment and consumer products could reduce demand for our entertainment offerings and products and adversely affect the profitability of any of our businesses.

Our businesses create entertainment, travel and consumer products whose success depends substantially on consumer tastes and preferences that change in often unpredictable ways. The success of our businesses depends on our ability to consistently create and distribute filmed entertainment, broadcast and cable programming, online material, electronic games, theme park attractions, hotels and other resort facilities and travel experiences and consumer products that meet the changing preferences of the broad consumer market and respond to competition from an expanding array of choices facilitated by technological developments in the delivery of content. Many of our businesses increasingly depend on acceptance of our offerings and products by consumers outside the U.S., and their success therefore depends on our ability to successfully predict and adapt to changing consumer tastes and preferences outside as well as inside the U.S. Moreover, we must often invest substantial amounts in film production, broadcast and cable programming, acquisition of sports rights, theme park attractions, cruise ships or hotels and other resort facilities before we learn the extent to which these products will earn consumer acceptance. If our entertainment offerings and products do not achieve sufficient consumer acceptance, our revenue from advertising sales (which are based in part on ratings for the programs in which advertisements air) or subscription fees for broadcast and cable programming and online services, from theatrical film receipts, from sales of distribution rights to other distributors or home entertainment or electronic game sales, from theme park admissions, hotel room charges and merchandise, food and beverage sales, from sales of licensed consumer products or from sales of our other consumer products and services may decline or fail to grow to the extent we anticipate when making investment decisions and thereby adversely affect the profitability of one or more of our businesses.

Changes in technology and in consumer consumption patterns may affect demand for our entertainment products, the revenue we can generate from these products or the cost of producing or distributing products.

The media entertainment and internet businesses in which we participate increasingly depend on our ability to successfully adapt to shifting patterns of content consumption through the adoption and exploitation of new technologies. New technologies affect the demand for our products, the manner in which our products are distributed to consumers, the sources and nature of competing content offerings, the time and manner in which consumers acquire and view some of our entertainment products and the options available to advertisers for reaching their desired audiences. This trend has impacted the business model for certain traditional forms of distribution, as evidenced by the industry-wide decline in ratings for broadcast television, the reduction in demand for home entertainment sales of theatrical content, the development of alternative distribution channels for broadcast and cable programming and declines in subscriber levels across the industry, including for a number of our networks. In order to respond to these developments, we regularly consider and from time to time implement changes to our business models and there can be no assurance that we will successfully respond to these changes, that we will not experience disruption as we respond to the changes, or that the business models we develop will be as profitable as our current business models. As a result, the income from our entertainment offerings may decline or increase at slower rates than our historical experience or our expectations when we make investments in products.

The success of our businesses is highly dependent on the existence and maintenance of intellectual property rights in the entertainment products and services we create.

The value to us of our intellectual property rights is dependent on the scope and duration of our rights as defined by applicable laws in the U.S. and abroad and the manner in which those laws are construed. If those laws are drafted or interpreted in ways that limit the extent or duration of our rights, or if existing laws are changed, our ability to generate revenue from our intellectual property may decrease, or the cost of obtaining and maintaining rights may increase.

The unauthorized use of our intellectual property may increase the cost of protecting rights in our intellectual property or reduce our revenues. New technologies such as the convergence of computing, communication, and entertainment devices, the falling prices of devices incorporating such technologies, increased broadband internet speed and penetration, increased availability and speed of mobile data transmission and increasingly sophisticated attempts to obtain unauthorized access to data systems have made the unauthorized digital copying and distribution of our films, television productions and other creative works easier and faster and protection and enforcement of intellectual property rights more challenging. The unauthorized use of intellectual property in the entertainment industry generally continues to be a significant challenge for intellectual property rights holders. Inadequate laws or weak enforcement mechanisms to protect intellectual property in one country can adversely affect the results of the Company's operations worldwide, despite the Company's efforts to protect its intellectual property rights. These developments require us to devote substantial resources to protecting our intellectual property against unlicensed use and present the risk of increased losses of revenue as a result of unlicensed distribution of our content.

With respect to intellectual property developed by the Company and rights acquired by the Company from others, the Company is subject to the risk of challenges to our copyright, trademark and patent rights by third parties. Successful challenges to our rights in intellectual property may result in increased costs for obtaining rights or the loss of the opportunity to earn revenue from the intellectual property that is the subject of challenged rights.

Protection of electronically stored data is costly and if our data is compromised in spite of this protection, we may incur additional costs, lost opportunities and damage to our reputation.

We maintain information necessary to conduct our business, including confidential and proprietary information as well as personal information regarding our customers and employees, in digital form. Data maintained in digital form is subject to the risk of intrusion, tampering and theft. We develop and maintain systems in an effort to prevent intrusion, tampering and theft, but the development and maintenance of these systems is costly and requires ongoing monitoring and updating as technologies change and efforts to overcome security measures become more sophisticated. Accordingly, despite our efforts, the possibility of intrusion, tampering and theft cannot be eliminated entirely, and risks associated with each of these remain. In addition, we provide confidential, proprietary and personal information to third parties when it is necessary to pursue business objectives. While we obtain assurances that these third parties will protect this information and, where we believe appropriate, monitor the protections employed by these third parties, there is a risk the confidentiality of data held by third parties may be compromised. If our data systems are compromised, our ability to conduct our business may be impaired, we may lose profitable opportunities or the value of those opportunities may be diminished and, as described above, we may lose revenue as a result of unlicensed use of our intellectual property. If personal information of our customers or employees is misappropriated, our reputation with our customers and employees may be injured resulting in loss of business or morale, and we may incur costs to remediate possible injury to our customers and employees or to pay fines or take other action with respect to judicial or regulatory actions arising out of the incident.

A variety of uncontrollable events may reduce demand for our products and services, impair our ability to provide our products and services or increase the cost of providing our products and services.

Demand for our products and services, particularly our theme parks and resorts, is highly dependent on the general environment for travel and tourism. The environment for travel and tourism, as well as demand for other entertainment products, can be significantly adversely affected in the U.S., globally or in specific regions as a result of a variety of factors beyond our control, including: adverse weather conditions arising from short-term weather patterns or long-term change, catastrophic events or natural disasters (such as excessive heat or rain, hurricanes, typhoons, floods, tsunamis and earthquakes); health concerns; international, political or military developments; and terrorist attacks. These events and others, such as fluctuations in travel and energy costs and computer virus attacks, intrusions or other widespread computing or telecommunications failures, may also damage our ability to provide our products and services or to obtain insurance coverage with respect to these events. An incident that affected our property directly would have a direct impact on our ability to provide goods and services and could have an extended effect of discouraging consumers from attending our facilities. Moreover, the costs of protecting against such incidents reduces the profitability of our operations.

In addition, we derive royalties from the sales of our licensed goods and services by third parties and the management of businesses operated under brands licensed from the Company, and we are therefore dependent on the successes of those third parties for that portion of our revenue. A wide variety of factors could influence the success of those third parties and if

negative factors significantly impacted a sufficient number of our licensees, the profitability of one or more of our businesses could be adversely affected.

We obtain insurance against the risk of losses relating to some of these events, generally including physical damage to our property and resulting business interruption, certain injuries occurring on our property and some liabilities for alleged breach of legal responsibilities. When insurance is obtained it is subject to deductibles, exclusions, terms, conditions and limits of liability. The types and levels of coverage we obtain vary from time to time depending on our view of the likelihood of specific types and levels of loss in relation to the cost of obtaining coverage for such types and levels of loss.

Changes in our business strategy or restructuring of our businesses may increase our costs or otherwise affect the profitability of our businesses.

As changes in our business environment occur we may adjust our business strategies to meet these changes or we may otherwise decide to restructure our operations or particular businesses or assets. In addition, external events including changing technology, changing consumer patterns, acceptance of our theatrical offerings and changes in macroeconomic conditions may impair the value of our assets. When these changes or events occur, we may incur costs to change our business strategy and may need to write down the value of assets. We also make investments in existing or new businesses, including investments in international expansion of our business and in new business lines. In recent years, such investments have included expansion and renovation of certain of our theme park attractions, investment in Shanghai Disney Resort and investments related to direct-to-consumer offerings of sports and other entertainment products. Some of these investments may have short-term returns that are negative or low and the ultimate business prospects of the businesses may be uncertain. In any of these events, our costs may increase, we may have significant charges associated with the write-down of assets or returns on new investments may be lower than prior to the change in strategy or restructuring.

Turmoil in the financial markets could increase our cost of borrowing and impede access to or increase the cost of financing our operations and investments.

Past disruptions in the U.S. and global credit and equity markets made it difficult for many businesses to obtain financing on acceptable terms. These conditions tended to increase the cost of borrowing and if they recur, our cost of borrowing could increase and it may be more difficult to obtain financing for our operations or investments. In addition, our borrowing costs can be affected by short- and long-term debt ratings assigned by independent rating agencies that are based, in part, on the Company's performance as measured by credit metrics such as interest coverage and leverage ratios. A decrease in these ratings would likely increase our cost of borrowing and/or make it more difficult for us to obtain financing. Past disruptions in the global financial markets also impacted some of the financial institutions with which we do business. A similar decline in the financial stability of financial institutions could affect our ability to secure credit-worthy counterparties for our interest rate and foreign currency hedging programs, could affect our ability to settle existing contracts and could also affect the ability of our business customers to obtain financing and thereby to satisfy their obligations to us.

Increased competitive pressures may reduce our revenues or increase our costs.

We face substantial competition in each of our businesses from alternative providers of the products and services we offer and from other forms of entertainment, lodging, tourism and recreational activities. We also must compete to obtain human resources, programming and other resources we require in operating our business. For example:

- Our broadcast and cable networks, stations and online offerings compete for viewers with other broadcast, cable and satellite services as well as with home entertainment products, new sources of broadband and mobile delivered content and internet usage.
- Our broadcast and cable networks and stations compete for the sale of advertising time with other broadcast, cable and satellite services, as well as with newspapers, magazines, billboards and radio stations. In addition, we increasingly face competition for advertising sales from internet and mobile delivered content, which offer advertising delivery technologies that are more targeted than can be achieved through traditional means.
- Our cable networks compete for carriage of their programming with other programming providers.
- Our studio operations, broadcast and cable networks compete to obtain creative and performing talent, sports and other programming, story properties, advertiser support and market share with other studio operations, broadcast and cable networks and new sources of broadband delivered content.
- Our theme parks and resorts compete for guests with all other forms of entertainment, lodging, tourism and recreation activities.
- Our studio operations compete for customers with all other forms of entertainment.
- Our Consumer Products & Interactive Media segment competes with other licensors, publishers and retailers of character, brand and celebrity names.

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- Our interactive media operations compete with other licensors and publishers of console, online and mobile games and other types of home entertainment.

Competition in each of these areas may increase as a result of technological developments and changes in market structure, including consolidation of suppliers of resources and distribution channels. Increased competition may divert consumers from our creative or other products, or to other products or other forms of entertainment, which could reduce our revenue or increase our marketing costs. Such competition may also reduce, or limit growth in, prices for our products and services, including advertising rates and subscription fees at our media networks, parks and resorts admissions and room rates, and prices for consumer products from which we derive license revenues. Competition for the acquisition of resources can increase the cost of producing our products and services.

Sustained increases in costs of pension and postretirement medical and other employee health and welfare benefits may reduce our profitability.

With approximately 199,000 employees, our profitability is substantially affected by costs of pension benefits and current and postretirement medical benefits. We may experience significant increases in these costs as a result of macro-economic factors, which are beyond our control, including increases in the cost of health care. In addition, changes in investment returns and discount rates used to calculate pension expense and related assets and liabilities can be volatile and may have an unfavorable impact on our costs in some years. These macroeconomic factors as well as a decline in the fair value of pension and postretirement medical plan assets may put upward pressure on the cost of providing pension and postretirement medical benefits and may increase future funding requirements. Although we have actively sought to control increases in these costs, there can be no assurance that we will succeed in limiting cost increases, and continued upward pressure could reduce the profitability of our businesses.

Our results may be adversely affected if long-term programming or carriage contracts are not renewed on sufficiently favorable terms.

We enter into long-term contracts for both the acquisition and the distribution of media programming and products, including contracts for the acquisition of programming rights for sporting events and other programs, and contracts for the distribution of our programming to content distributors. As these contracts expire, we must renew or renegotiate the contracts, and if we are unable to renew them on acceptable terms, we may lose programming rights or distribution rights. Even if these contracts are renewed, the cost of obtaining programming rights may increase (or increase at faster rates than our historical experience) or programming distributors, facing pressures resulting from increased subscription fees and alternative distribution challenges, may demand terms (including pricing and the breadth of distribution) that reduce our revenue from distribution of programs (or increase revenue at slower rates than our historical experience). Moreover, our ability to renew these contracts on favorable terms may be affected by recent consolidation in the market for program distribution and the entrance of new participants in the market for distribution of content on digital platforms. With respect to the acquisition of programming rights, particularly sports programming rights, the impact of these long-term contracts on our results over the term of the contracts depends on a number of factors, including the strength of advertising markets, subscription levels and rates for programming, effectiveness of marketing efforts and the size of viewer audiences. There can be no assurance that revenues from programming based on these rights will exceed the cost of the rights plus the other costs of producing and distributing the programming.

Changes in regulations applicable to our businesses may impair the profitability of our businesses.

Our broadcast networks and television stations are highly regulated, and each of our other businesses is subject to a variety of U.S. and overseas regulations. These regulations include:

- U.S. FCC regulation of our television and radio networks, our national programming networks, and our owned television stations. See Item 1 — Business — Media Networks, Federal Regulation.
- Federal, state and foreign privacy and data protection laws and regulations.
- Regulation of the safety of consumer products and theme park operations.
- Environmental protection regulations.
- Imposition by foreign countries of trade restrictions, restrictions on the manner in which content is currently licensed and distributed, ownership restrictions, currency exchange controls or motion picture or television content requirements or quotas.
- Domestic and international wage laws, tax laws or currency controls.

Changes in any of these regulations or regulatory activities in any of these areas may require us to spend additional amounts to comply with the regulations, or may restrict our ability to offer products and services in ways that are profitable.

Our operations outside the United States may be adversely affected by the operation of laws in those jurisdictions.

Our operations in non-U.S. jurisdictions are in many cases subject to the laws of the jurisdictions in which they operate rather than U.S. law. Laws in some jurisdictions differ in significant respects from those in the U.S. These differences can affect our ability to react to changes in our business, and our rights or ability to enforce rights may be different than would be expected under U.S. law. Moreover, enforcement of laws in some overseas jurisdictions can be inconsistent and unpredictable, which can affect both our ability to enforce our rights and to undertake activities that we believe are beneficial to our business. In addition, the business and political climate in some jurisdictions may encourage corruption, which could reduce our ability to compete successfully in those jurisdictions while remaining in compliance with local laws or United States anti-corruption laws applicable to our businesses. As a result, our ability to generate revenue and our expenses in non-U.S. jurisdictions may differ from what would be expected if U.S. law governed these operations.

Labor disputes may disrupt our operations and adversely affect the profitability of any of our businesses.

A significant number of employees in various of our businesses are covered by collective bargaining agreements, including employees of our theme parks and resorts as well as writers, directors, actors, production personnel and others employed in our media networks and studio operations. In addition, the employees of licensees who manufacture and retailers who sell our consumer products, and employees of providers of programming content (such as sports leagues) may be covered by labor agreements with their employers. In general, a labor dispute involving our employees or the employees of our licensees or retailers who sell our consumer products or providers of programming content may disrupt our operations and reduce our revenues, and resolution of disputes may increase our costs.

The seasonality of certain of our businesses could exacerbate negative impacts on our operations.

Each of our businesses is normally subject to seasonal variations, as follows:

- Revenues in our Media Networks segment are subject to seasonal advertising patterns and changes in viewership levels. In general, advertising revenues are somewhat higher during the fall and somewhat lower during the summer months. Affiliate fees are typically collected ratably throughout the year.
- Revenues in our Parks and Resorts segment fluctuate with changes in theme park attendance and resort occupancy resulting from the seasonal nature of vacation travel and leisure activities. Peak attendance and resort occupancy generally occur during the summer months when school vacations occur and during early-winter and spring-holiday periods.
- Revenues in our Studio Entertainment segment fluctuate due to the timing and performance of releases in the theatrical, home entertainment and television markets. Release dates are determined by several factors, including competition and the timing of vacation and holiday periods.
- Revenues in our Consumer Products & Interactive Media segments are influenced by seasonal consumer purchasing behavior, which generally results in higher revenues during the Company's first fiscal quarter, and by the timing and performance of theatrical and game releases and cable programming broadcasts.

Accordingly, if a short-term negative impact on our business occurs during a time of high seasonal demand (such as hurricane damage to our parks during the summer travel season), the effect could have a disproportionate effect on the results of that business for the year.

ITEM 1B. Unresolved Staff Comments

The Company has received no written comments regarding its periodic or current reports from the staff of the SEC that were issued 180 days or more preceding the end of its 2017 fiscal year and that remain unresolved.

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ITEM 2. Properties

The Walt Disney World Resort, Disneyland Resort and other properties of the Company and its subsidiaries are described in Item 1 under the caption *Parks and Resorts*. Film library properties are described in Item 1 under the caption *Studio Entertainment*. Television stations owned by the Company are described in Item 1 under the caption *Media Networks*. Retail store locations leased by the Company are described in Item 1 under the caption *Consumer Products & Interactive Media*.

The Company and its subsidiaries own and lease properties throughout the world. In addition to the properties noted above, the table below provides a brief description of other significant properties and the related business segment.

Location	Property / Approximate Size	Use	Business Segment ⁽¹⁾
Burbank, CA & surrounding cities ⁽²⁾	Land (201 acres) & Buildings (4,695,000 ft ²)	Owned Office/Production/Warehouse (includes 236,000 ft ² sublet to third-party tenants)	Corp/Studio/Media/CPIM/P&R
Burbank, CA & surrounding cities ⁽²⁾	Buildings (1,537,000 ft ²)	Leased Office/Warehouse	Corp/Studio/Media/CPIM/P&R
Los Angeles, CA	Land (22 acres) & Buildings (600,000 ft ²)	Owned Office/Production/Technical	Media/Studio
Los Angeles, CA	Buildings (462,000 ft ²)	Leased Office/Production/Technical/Theater	Media/Studio
New York, NY	Land (6 acres) & Buildings (1,418,000 ft ²)	Owned Office/Production/Technical	Media/Corp
New York, NY	Buildings (550,000 ft ²)	Leased Office/Production/Theater/Warehouse (includes 14,000 ft ² sublet to third-party tenants)	Corp/Studio/Media/CPIM
Bristol, CT	Land (117 acres) & Buildings (1,174,000 ft ²)	Owned Office/Production/Technical	Media
Bristol, CT	Buildings (512,000 ft ²)	Leased Office/Warehouse/Technical	Media
Emeryville, CA	Land (20 acres) & Buildings (430,000 ft ²)	Owned Office/Production/Technical	Studio
Emeryville, CA	Buildings (80,000 ft ²)	Leased Office/Storage	Studio
San Francisco, CA	Buildings (709,000 ft ²)	Leased Office/Production/Technical/Theater (includes 56,000 ft ² sublet to third-party tenants)	Corp/Studio/Media/CPIM/P&R
USA & Canada	Land and Buildings (Multiple sites and sizes)	Owned and Leased Office/Production/Transmitter/Theaters/Warehouse	Corp/Studio/Media/CPIM/P&R
Hammersmith, England	Building (279,500 ft ²)	Leased Office	Corp/Studio/Media/CPIM/P&R
Europe, Asia, Australia & Latin America	Buildings (Multiple sites and sizes)	Leased Office/Warehouse/Retail	Corp/Studio/Media/CPIM/P&R

⁽¹⁾ Corp – Corporate, CPIM – Consumer Products & Interactive Media, P&R – Parks and Resorts

⁽²⁾ Surrounding cities include Glendale, CA, North Hollywood, CA and Sun Valley, CA

ITEM 3. Legal Proceedings

As disclosed in Note 14 to the Consolidated Financial Statements, the Company is engaged in certain legal matters, and the disclosure set forth in Note 14 relating to certain legal matters is incorporated herein by reference.

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

ITEM 4. Mine Safety Disclosures

Not applicable.

Executive Officers of the Company

The executive officers of the Company are elected each year at the organizational meeting of the Board of Directors, which follows the annual meeting of the shareholders, and at other Board of Directors meetings, as appropriate. Each of the executive officers has been employed by the Company in the position or positions indicated in the list and pertinent notes below. Each of the executive officers has been employed by the Company for more than five years.

At September 30, 2017, the executive officers of the Company were as follows:

Name	Age	Title	Executive Officer Since
Robert A. Iger	66	Chairman and Chief Executive Officer ⁽¹⁾	2000
Alan N. Braverman	69	Senior Executive Vice President, General Counsel and Secretary	2003
Kevin A. Mayer	55	Senior Executive Vice President and Chief Strategy Officer ⁽²⁾	2005
Christine M. McCarthy	62	Senior Executive Vice President and Chief Financial Officer ⁽³⁾	2005
M. Jayne Parker	56	Senior Executive Vice President and Chief Human Resources Officer ⁽⁴⁾	2009

⁽¹⁾ Mr. Iger was appointed Chairman of the Board and Chief Executive Officer effective March 13, 2012. He was President and Chief Executive Officer from October 2, 2005 through that date.

⁽²⁾ Mr. Mayer was appointed Senior Executive Vice President and Chief Strategy Officer effective June 30, 2015. He was previously Executive Vice President, Corporate Strategy and Business Development of the Company from 2005 to 2015.

⁽³⁾ Ms. McCarthy was appointed Senior Executive Vice President and Chief Financial Officer effective June 30, 2015. She was previously Executive Vice President, Corporate Real Estate, Alliances and Treasurer of the Company from 2000 to 2015.

⁽⁴⁾ Ms. Parker was appointed Senior Executive Vice President and Chief Human Resources Officer effective August 20, 2017. She was previously Executive Vice President and Chief Human Resources Officer from 2009.

PART II

ITEM 5. Market for the Company’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

The Company’s common stock is listed on the New York Stock Exchange under the ticker symbol “DIS”. The following table shows, for the periods indicated, the high and low sales prices per share of common stock as reported in the Bloomberg Financial markets services.

	Sales Price	
	High	Low
2017		
4th Quarter	\$ 110.83	\$ 96.20
3rd Quarter	116.10	103.17
2nd Quarter	113.71	105.21
1st Quarter	106.26	90.32
2016		
4th Quarter	\$ 100.80	\$ 91.19
3rd Quarter	106.75	94.00
2nd Quarter	103.43	86.25
1st Quarter	120.65	102.61

See Note 11 of the Consolidated Financial Statements for a summary of the Company’s dividends in fiscal years 2017 and 2016. The Board of Directors has not declared a dividend related to the second half of fiscal 2017 as of the date of this report.

As of September 30, 2017, the approximate number of common shareholders of record was 871,300.

The following table provides information about Company purchases of equity securities that are registered by the Company pursuant to Section 12 of the Exchange Act during the quarter ended September 30, 2017 :

Period	Total Number of Shares Purchased ⁽¹⁾	Weighted Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs ⁽²⁾
July 2, 2017 – July 31, 2017	6,365,800	\$ 105.57	6,343,537	219 million
August 1, 2017 – August 31, 2017	12,517,752	103.28	12,299,100	207 million
September 1, 2017 – September 30, 2017	14,978,497	99.40	14,945,804	192 million
Total	33,862,049	101.99	33,588,441	192 million

⁽¹⁾ 273,608 shares were purchased on the open market to provide shares to participants in the Walt Disney Investment Plan (WDIP). These purchases were not made pursuant to a publicly announced repurchase plan or program.

⁽²⁾ Under a share repurchase program implemented effective June 10, 1998, the Company is authorized to repurchase shares of its common stock. On January 30, 2015, the Company’s Board of Directors increased the repurchase authorization to a total of 400 million shares as of that date. The repurchase program does not have an expiration date.

ITEM 6. Selected Financial Data

(in millions, except per share data)

	2017 ⁽¹⁾	2016 ⁽²⁾	2015 ⁽³⁾	2014 ⁽⁴⁾	2013 ⁽⁵⁾
Statements of income					
Revenues	\$ 55,137	\$ 55,632	\$ 52,465	\$ 48,813	\$ 45,041
Net income	9,366	9,790	8,852	8,004	6,636
Net income attributable to Disney	8,980	9,391	8,382	7,501	6,136
Per common share					
Earnings attributable to Disney					
Diluted	\$ 5.69	\$ 5.73	\$ 4.90	\$ 4.26	\$ 3.38
Basic	5.73	5.76	4.95	4.31	3.42
Dividends ⁽⁶⁾	1.56	1.42	1.81	0.86	0.75
Balance sheets					
Total assets	\$ 95,789	\$ 92,033	\$ 88,182	\$ 84,141	\$ 81,197
Long-term obligations	26,710	24,189	19,142	18,573	17,293
Disney shareholders' equity	41,315	43,265	44,525	44,958	45,429
Statements of cash flows ⁽⁷⁾					
Cash provided (used) by:					
Operating activities	\$ 12,343	\$ 13,136	\$ 11,385	\$ 10,148	\$ 9,495
Investing activities	(4,111)	(5,758)	(4,245)	(3,345)	(4,676)
Financing activities	(8,959)	(7,220)	(5,801)	(6,981)	(4,458)

- (1) The fiscal 2017 results include a benefit from the adoption of a new accounting pronouncement related to the tax impact of employee share-based awards (\$0.08 per diluted share) (see Note 18 to the Consolidated Financial Statements). In addition, results include a non-cash net gain in connection with the acquisition of a controlling interest in BAMTech (\$0.10 per diluted share) (see Note 3 to the Consolidated Financial Statements), an adverse impact due to a charge, net of committed insurance recoveries, incurred in connection with the settlement of litigation (\$0.07 per dilutive share) and restructuring and impairment charges (\$0.04 per diluted share), which collectively resulted in a net adverse impact of \$0.01 per diluted share.
- (2) The fiscal 2016 results include the Company's share of a net gain recognized by A+E in connection with an acquisition of an interest in Vice (\$0.13 per diluted share) (see Note 3 to the Consolidated Financial Statements), restructuring and impairment charges (\$0.07 per diluted share) and a charge in connection with the discontinuation of our Infinity console game business (\$0.05 per diluted share) (see Note 1 to the Consolidated Financial Statements). These items collectively resulted in a net benefit of \$0.01 per diluted share.
- (3) The fiscal 2015 results include the write-off of a deferred tax asset as a result of the Disneyland Paris recapitalization (\$0.23 per diluted share) (see Note 9 to the Consolidated Financial Statements) and restructuring and impairment charges (\$0.02 per diluted share), which collectively resulted in a net adverse impact of \$0.25 per diluted share.
- (4) The fiscal 2014 results include a loss resulting from the foreign currency translation of net monetary assets denominated in Venezuelan currency (\$0.05 per diluted share), restructuring and impairment charges (\$0.05 per diluted share), a gain on the sale of property (\$0.03 per diluted share) and a portion of a settlement of an affiliate contract dispute (\$0.01 per diluted share). These items collectively resulted in a net adverse impact of \$0.06 per diluted share.
- (5) During fiscal 2013, the Company completed a \$4.1 billion cash and stock acquisition of Lucasfilm Ltd. LLC. In addition, results for the year include a charge related to the Celador litigation (\$0.11 per diluted share), restructuring and impairment charges (\$0.07 per diluted share), a charge related to an equity redemption by Hulu (\$0.02 per diluted share), favorable tax adjustments related to an increase in the amount of prior-year foreign earnings considered to be indefinitely reinvested outside of the United States and favorable tax adjustments related to pre-tax earnings of prior years (\$0.12 per diluted share) and gains in connection with the sale of our equity interest in ESPN STAR Sports and certain businesses (\$0.08 per diluted share). These items collectively resulted in a net adverse impact of \$0.01 per diluted share.
- (6) In fiscal 2015, the Company began paying dividends on a semiannual basis. Accordingly, fiscal 2015 includes dividend payments related to fiscal 2014 and the first half of fiscal 2015 (see Note 11 to the Consolidated Financial Statements).
- (7) Cash flow information for prior years has been restated to reflect the adoption of new accounting standards during fiscal 2017 (see Note 18 to the Consolidated Financial Statements). Operating activities reflected a \$77 million decrease, a \$476 million increase, a \$368 million increase and a \$43 million increase, and financing activities reflected decreases of \$229 million, \$287 million, \$271 million and \$244 million in fiscal 2016, 2015, 2014 and 2013, respectively.

ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

CONSOLIDATED RESULTS
(in millions, except per share data)

	2017	2016	2015	% Change Better/(Worse)	
				2017 vs. 2016	2016 vs. 2015
Revenues:					
Services	\$ 46,843	\$ 47,130	\$ 43,894	(1)%	7 %
Products	8,294	8,502	8,571	(2)%	(1)%
Total revenues	55,137	55,632	52,465	(1)%	6 %
Costs and expenses:					
Cost of services (exclusive of depreciation and amortization)	(25,320)	(24,653)	(23,191)	(3)%	(6)%
Cost of products (exclusive of depreciation and amortization)	(4,986)	(5,340)	(5,173)	7 %	(3)%
Selling, general, administrative and other	(8,176)	(8,754)	(8,523)	7 %	(3)%
Depreciation and amortization	(2,782)	(2,527)	(2,354)	(10)%	(7)%
Total costs and expenses	(41,264)	(41,274)	(39,241)	— %	(5)%
Restructuring and impairment charges	(98)	(156)	(53)	37 %	>(100)%
Other income, net	78	—	—	nm	nm
Interest expense, net	(385)	(260)	(117)	(48)%	>(100)%
Equity in the income of investees	320	926	814	(65)%	14 %
Income before income taxes	13,788	14,868	13,868	(7)%	7 %
Income taxes	(4,422)	(5,078)	(5,016)	13 %	(1)%
Net income	9,366	9,790	8,852	(4)%	11 %
Less: Net income attributable to noncontrolling interests	(386)	(399)	(470)	3 %	15 %
Net income attributable to The Walt Disney Company (Disney)	\$ 8,980	\$ 9,391	\$ 8,382	(4)%	12 %
Earnings per share attributable to Disney:					
Diluted	\$ 5.69	\$ 5.73	\$ 4.90	(1)%	17 %
Basic	\$ 5.73	\$ 5.76	\$ 4.95	(1)%	16 %
Weighted average number of common and common equivalent shares outstanding:					
Diluted	1,578	1,639	1,709		
Basic	1,568	1,629	1,694		

Organization of Information

Management's Discussion and Analysis provides a narrative on the Company's financial performance and condition that should be read in conjunction with the accompanying financial statements. It includes the following sections:

- Consolidated Results and Non-Segment Items
- Business Segment Results — 2017 vs. 2016
- Business Segment Results — 2016 vs. 2015
- Corporate and Unallocated Shared Expenses
- Liquidity and Capital Resources
- Contractual Obligations, Commitments and Off Balance Sheet Arrangements
- Critical Accounting Policies and Estimates
- Forward-Looking Statements

CONSOLIDATED RESULTS AND NON-SEGMENT ITEMS

2017 vs. 2016

Revenues for fiscal 2017 decreased 1% , or \$0.5 billion , to \$55.1 billion ; net income attributable to Disney decreased 4% , or \$0.4 billion , to \$9.0 billion ; and diluted earnings per share attributable to Disney (EPS) decreased 1% , or \$0.04 to \$5.69 . The EPS decrease in fiscal 2017 was due to lower segment operating income at Media Networks, Studio Entertainment and Consumer Products & Interactive Media and higher net interest expense. These decreases were partially offset by a decrease in weighted average shares outstanding as a result of our share repurchase program, higher operating income at Parks and Resorts and a decrease in the effective tax rate. In addition, net income attributable to Disney reflected an approximate 1 percentage point decline due to the movement of the U.S. dollar against major currencies including the impact of our hedging program (FX Impact).

Revenues

Service revenues for fiscal 2017 decreased 1% , or \$0.3 billion , to \$46.8 billion , due to declines in revenue from theatrical and home entertainment distribution, advertising and merchandise licensing. These decreases were partially offset by the benefit from a full year of operations at Shanghai Disney Resort, which opened in June 2016, an increase in affiliate fees and higher average guest spending and attendance growth at our other parks and resorts. Service revenue reflected an approximate 1 percentage point decline due to an unfavorable FX Impact.

Product revenues for fiscal 2017 decreased 2% , or \$0.2 billion , to \$8.3 billion , due to lower volumes at our home entertainment distribution and retail businesses and the discontinuation of Infinity, partially offset by the impact of a full year of operations at Shanghai Disney Resort and higher average guest spending and volumes at our other parks and resorts. Product revenue reflected an approximate 1 percentage point decline due to an unfavorable FX Impact.

Costs and expenses

Cost of services for fiscal 2017 increased 3% , or \$0.7 billion , to \$25.3 billion , due to higher sports programming costs, a full year of operations at Shanghai Disney Resort and new guest offerings and inflation at our other parks and resorts. These increases were partially offset by lower film cost amortization and theatrical distribution costs.

Cost of products for fiscal 2017 decreased 7% , or \$0.4 billion , to \$5.0 billion , due to the discontinuation of Infinity, the absence of the Infinity Charge (See Note 1 to the Consolidated Financial Statements) and lower retail and home entertainment volumes. These decreases were partially offset by a full year of operations at Shanghai Disney Resort and inflation at our domestic parks and resorts.

Selling, general, administrative and other costs for the fiscal year decreased 7% , or \$0.6 billion , to \$8.2 billion , due to lower theatrical marketing costs and the discontinuation of Infinity. Selling, general, administrative and other costs reflected an approximate 1 percentage point benefit due to a favorable FX Impact.

Depreciation and amortization costs increased 10% , or \$0.3 billion , to \$2.8 billion primarily due to a full year of operations at Shanghai Disney Resort and depreciation associated with new attractions at our domestic parks and resorts.

Restructuring and Impairment Charges

The Company recorded \$98 million and \$156 million of restructuring and impairment charges in fiscal years 2017 and 2016, respectively. Charges in fiscal 2017 were due to severance costs and asset impairments. Charges in fiscal 2016 were due to asset impairments and severance and contract termination costs.

Other Income, net

Other income, net is as follows:

(in millions)	2017	
Gain related to the acquisition of BAMTech	\$	255
Settlement of litigation		(177)
Other income, net	\$	78

In fiscal 2017, the Company recorded a non-cash net gain in connection with the acquisition of a controlling interest in BAMTech (see Note 3 to the Consolidated Financial Statements), partially offset by a charge, net of committed insurance recoveries, in connection with the settlement of litigation.

Interest Expense, net

Interest expense, net is as follows:

(in millions)	2017	2016	% Change Better/(Worse)
Interest expense	\$ (507)	\$ (354)	(43)%
Interest and investment income	122	94	30 %
Interest expense, net	\$ (385)	\$ (260)	(48)%

The increase in interest expense was due to higher average debt balances, lower capitalized interest and an increase in our effective interest rate.

The increase in interest and investment income for the year was primarily due to an increase in interest income driven by an increase in average cash balances in interest bearing accounts and higher interest rates.

Equity in the Income of Investees

Equity in the income of investees decreased 65% or \$606 million, to \$0.3 billion due to the absence of the \$332 million Vice Gain (See Note 3 to the Consolidated Financial Statements), which was recognized in the prior year, and higher losses from our investments in BAMTech and Hulu. The BAMTech results reflected a valuation adjustment to sports programming rights that were prepaid prior to our acquisition of BAMTech and increased costs for technology platform investments. The decrease at Hulu was due to higher programming, distribution, marketing and labor costs, partially offset by growth in advertising and subscription revenues.

Effective Income Tax Rate

	2017	2016	Change Better/(Worse)
Effective income tax rate	32.1%	34.2%	2.1 ppt

The decrease in the effective income tax rate was due to lower tax on foreign earnings, a favorable impact from the adoption of the new accounting pronouncement related to the tax impact of employee share-based awards (\$125 million) (see Note 18 to the Consolidated Financial Statements) and an increase in the benefit related to qualified domestic production activities. These decreases were partially offset by a benefit in the prior year from the favorable resolution of certain tax matters. The lower tax on foreign earnings was driven by a decrease in foreign losses for which we are not recognizing a tax benefit.

Noncontrolling Interests

Net income attributable to noncontrolling interests for the year decreased \$13 million to \$386 million due to the impact of lower net income at ESPN, partially offset by the impact of improved results at Shanghai Disney Resort.

Net income attributable to noncontrolling interests is determined on income after royalties and management fees, financing costs and income taxes.

2016 vs. 2015

Revenues for fiscal 2016 increased 6% , or \$3.2 billion, to \$55.6 billion ; net income attributable to Disney increased 12% , or \$1.0 billion, to \$9.4 billion ; and EPS for the year increased 17% , or \$0.83 to \$5.73 . The EPS increase in fiscal 2016 was due to segment operating income growth at Studio Entertainment, Parks and Resorts and Consumer Products & Interactive Media, a decrease in weighted average shares outstanding as a result of our share repurchase program, a decrease in our effective income tax rate, which reflected a deferred tax asset write-off in fiscal 2015, and the benefit of the Vice Gain. These increases were partially offset by higher net interest expense, the Infinity Charge (See Note 1 to the Consolidated Financial Statements) and higher restructuring and impairment charges in fiscal 2016. In addition, net income attributable to Disney reflected an approximate 5 percentage point decline due to an unfavorable FX Impact.

Fiscal 2016 included fifty-two weeks of operations, while fiscal 2015 results included the benefit from a fifty-third week of operations (Fiscal Period Impact) due to the timing of our fiscal period end. The estimated EPS impact of the additional week of operations in fiscal 2015 was approximately \$0.13, and the majority of the impact was at our cable networks business, followed by our parks and resorts and, to a lesser extent, consumer products businesses.

Revenues

Service revenues for fiscal 2016 increased 7% , or \$3.2 billion, to \$47.1 billion , due to higher theatrical distribution revenues. The increase in service revenues was also driven by growth in merchandise and game licensing revenue, higher average guest spending and attendance at our domestic parks and resorts and higher affiliate fees. Additionally, growth in TV/SVOD, revenues from the opening of Shanghai Disney Resort, growth in digital distribution of film content and higher advertising revenue contributed to the increase in service revenue. These increases were partially offset by lower attendance at Disneyland Paris. Service revenue reflected an approximate 1 percentage point decrease due to an unfavorable FX Impact.

Product revenues for fiscal 2016 decreased 1%, or \$69 million, to \$8.5 billion, due to the discontinuation of Infinity and lower retail store volumes, partially offset by higher average guest spending at our domestic parks and resorts, higher net effective pricing at home entertainment and revenues from the opening of Shanghai Disney Resort. Product revenue reflected an approximate 1 percentage point decline due to an unfavorable FX Impact.

Costs and expenses

Cost of services for fiscal 2016 increased 6% , or \$1.5 billion, to \$24.7 billion , due to higher film cost amortization and distribution expense, increased media programming and production costs, the impact of the opening of Shanghai Disney Resort and cost inflation and higher infrastructure and labor costs at our domestic parks and resorts. These increases were partially offset by efficiency initiatives at our domestic parks and resorts. Cost of services reflected an approximate 1 percentage point benefit due to a favorable FX Impact.

Cost of products for fiscal 2016 increased 3% , or \$167 million, to \$5.3 billion , due to the Infinity Charge, higher guest spending and cost inflation at our domestic parks and resorts and higher film cost amortization due to home entertainment revenue growth, partially offset by lower costs from the discontinuation of Infinity.

Selling, general, administrative and other costs for fiscal 2016 increased 3%, or \$231 million, to \$8.8 billion, driven by increased theatrical marketing costs, partially offset by lower marketing spend for our cable channels. Selling, general, administrative and other costs reflected an approximate 1 percentage point benefit due to a favorable FX Impact.

Depreciation and amortization costs increased 7% , or \$173 million, to \$2.5 billion due to the opening of Shanghai Disney Resort and depreciation of new attractions at our domestic parks and resorts.

Restructuring and Impairment Charges

The Company recorded \$156 million and \$53 million of restructuring and impairment charges in fiscal years 2016 and 2015, respectively. Charges in fiscal 2016 were due to asset impairments and severance and contract termination costs. Charges in fiscal 2015 were primarily due to a contract termination and severance costs.

Interest Expense, net

Interest expense, net is as follows:

(in millions)	2016	2015	% Change Better/(Worse)
Interest expense	\$ (354)	\$ (265)	(34)%
Interest and investment income	94	148	(36)%
Interest expense, net	\$ (260)	\$ (117)	>(100)%

The increase in interest expense was due to higher average debt balances and an increase in our effective interest rate, partially offset by higher capitalized interest.

The decrease in interest and investment income was due to lower gains on sales of investments.

Equity in the Income of Investees

Equity in the income of investees increased 14% or \$112 million, to \$0.9 billion due to the \$332 million Vice Gain. The benefit of the Vice Gain was partially offset by a higher loss at Hulu and lower operating results at A+E. The increased equity loss at Hulu was due to higher programming, marketing and labor costs, partially offset by growth in subscription and advertising revenues. The decrease at A+E was due to lower advertising revenue and the impact of the conversion of the H2 channel to Viceland.

Effective Income Tax Rate

	2016	2015	Change Better/(Worse)
Effective income tax rate	34.2%	36.2%	2.0 ppt

The decrease in the effective income tax rate was primarily due to a write-off of a \$399 million deferred income tax asset in fiscal 2015 as a result of the increase in the Company's ownership of Euro Disney S.C.A. in connection with the Disneyland Paris recapitalization (Disneyland Paris Tax Asset Write-off) (See Notes 6 and 9 to the Consolidated Financial Statements for further discussion). This decrease was partially offset by an increase in foreign losses for which we are not recognizing a tax benefit.

Noncontrolling Interests

Net income attributable to noncontrolling interests for fiscal 2016 decreased \$71 million to \$399 million due to higher pre-opening expenses at Shanghai Disney Resort and a decrease related to Disneyland Paris, partially offset by higher results at ESPN. The decrease related to Disneyland Paris was driven by lower results, partially offset by the impact of an increase in the Company's ownership interest.

Certain Items Impacting Comparability

Results for fiscal 2017 were impacted by the following:

- A \$255 million non-cash net gain in connection with the acquisition of a controlling interest in BAMTech
- A \$177 million charge, net of committed insurance recoveries, in connection with the settlement of litigation
- Restructuring and impairment charges totaling \$98 million

Results for fiscal 2016 were impacted by the following:

- The \$332 million Vice Gain
- Restructuring and impairment charges totaling \$156 million

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- The \$129 million Infinity Charge

Results for fiscal 2015 were impacted by the following:

- The \$399 million Disneyland Paris Tax Asset Write-off
- Restructuring and impairment charges totaling \$53 million

A summary of the impact of these items on EPS is as follows:

(in millions, except per share data)	Pre-Tax Income/(Loss)	Tax Benefit/(Expense) (1)	After-Tax Income/(Loss)	EPS Favorable/(Adverse) (2)
Year Ended September 30, 2017:				
Settlement of litigation	\$ (177)	\$ 65	\$ (112)	\$ (0.07)
Restructuring and impairment charges	(98)	31	(67)	(0.04)
Gain related to the acquisition of BAMTech	255	(93)	162	0.10
Total	\$ (20)	\$ 3	\$ (17)	\$ (0.01)
Year Ended October 1, 2016:				
Vice Gain	\$ 332	\$ (122)	\$ 210	\$ 0.13
Restructuring and impairment charges	(156)	43	(113)	(0.07)
Infinity Charge (3)	(129)	47	(82)	(0.05)
Total	\$ 47	\$ (32)	\$ 15	\$ 0.01
Year Ended October 3, 2015:				
Disneyland Paris Tax Asset Write-off	\$ —	\$ (399)	\$ (399)	\$ (0.23)
Restructuring and impairment charges	(53)	20	(33)	(0.02)
Total	\$ (53)	\$ (379)	\$ (432)	\$ (0.25)

(1) Tax benefit/expense adjustments are determined using the tax rate applicable to the individual item affecting comparability.

(2) EPS is net of noncontrolling interest share, where applicable. Total may not equal the sum of the column due to rounding.

(3) Recorded in "Cost of products" in the Consolidated Statements of Income. See Note 1 to the Consolidated Financial Statements.

BUSINESS SEGMENT RESULTS — 2017 vs. 2016

Below is a discussion of the major revenue and expense categories for our business segments. Costs and expenses for each segment consist of operating expenses, selling, general, administrative and other costs and depreciation and amortization. Selling, general, administrative and other costs include third-party and internal marketing expenses.

Our Media Networks segment generates revenue from affiliate fees, ad sales and other revenues, which include the sale and distribution of television programming. Significant expenses include amortization of programming, production, participations and residuals costs, technical support costs, operating labor and distribution costs.

Our Parks and Resorts segment generates revenue from the sale of admissions to theme parks, the sale of food, beverage and merchandise, charges for room nights at hotels, sales of cruise vacation packages and sales, as well as rentals of vacation club properties. Revenues are also generated from sponsorships and co-branding opportunities, real estate rent and sales, and royalties from Tokyo Disney Resort. Significant expenses include operating labor, infrastructure costs, depreciation, costs of sales and other operating expenses. Infrastructure costs include information systems expense, repairs and maintenance, utilities and fuel, property taxes, insurance and transportation and other operating expenses include costs for such items as supplies, commissions and entertainment offerings.

Our Studio Entertainment segment generates revenue from the distribution of films in the theatrical, home entertainment and television and SVOD markets (TV/SVOD), stage play ticket sales, music distribution and licensing of our intellectual

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property for use in live entertainment productions. Significant expenses include amortization of production, participations and residuals costs, marketing and sales costs, distribution expenses and costs of sales.

Our Consumer Products & Interactive Media segment generates revenue from licensing characters and content from our film, television and other properties to third parties for use on consumer merchandise, published materials and in multi-platform games and from operating retail stores, internet shopping sites and a wholesale business. We also generate revenue from the sales of games through app distributors and online, consumers' in-game purchases, sales of self-published children's books and magazines and comic books, advertising through distribution of online video content and operating English language learning centers. Significant expenses include costs of goods sold and distribution expenses, operating labor and retail occupancy costs, product development and marketing.

The following is a summary of segment revenue and operating income:

(in millions)	2017	2016	2015	% Change Better/(Worse)	
				2017 vs. 2016	2016 vs. 2015
Revenues:					
Media Networks	\$ 23,510	\$ 23,689	\$ 23,264	(1)%	2 %
Parks and Resorts	18,415	16,974	16,162	8 %	5 %
Studio Entertainment	8,379	9,441	7,366	(11)%	28 %
Consumer Products & Interactive Media	4,833	5,528	5,673	(13)%	(3)%
	<u>\$ 55,137</u>	<u>\$ 55,632</u>	<u>\$ 52,465</u>	(1)%	6 %
Segment operating income:					
Media Networks	\$ 6,902	\$ 7,755	\$ 7,793	(11)%	— %
Parks and Resorts	3,774	3,298	3,031	14 %	9 %
Studio Entertainment	2,355	2,703	1,973	(13)%	37 %
Consumer Products & Interactive Media	1,744	1,965	1,884	(11)%	4 %
	<u>\$ 14,775</u>	<u>\$ 15,721</u>	<u>\$ 14,681</u>	(6)%	7 %

The Company evaluates the performance of its operating segments based on segment operating income, and management uses aggregate segment operating income as a measure of the overall performance of the operating businesses. Aggregate segment operating income is not a financial measure defined by GAAP, should be reviewed in conjunction with the relevant GAAP financial measure and may not be comparable to similarly titled measures reported by other companies. The Company believes that information about aggregate segment operating income assists investors by allowing them to evaluate changes in the operating results of the Company's portfolio of businesses separate from factors other than business operations that affect net income.

The following table reconciles segment operating income to income before income taxes.

(in millions)	2017	2016	2015	% Change Better/(Worse)	
				2017 vs. 2016	2016 vs. 2015
Segment operating income	\$ 14,775	\$ 15,721	\$ 14,681	(6)%	7 %
Corporate and unallocated shared expenses	(582)	(640)	(643)	9 %	— %
Restructuring and impairment charges	(98)	(156)	(53)	37 %	>(100)%
Other income, net	78	—	—	nm	nm
Interest expense, net	(385)	(260)	(117)	(48)%	>(100)%
Vice Gain	—	332	—	nm	nm
Infinity Charge	—	(129)	—	nm	nm
Income before income taxes	<u>\$ 13,788</u>	<u>\$ 14,868</u>	<u>\$ 13,868</u>	(7)%	7 %

Media Networks

Operating results for the Media Networks segment are as follows:

(in millions)	Year Ended		% Change Better / (Worse)
	September 30, 2017	October 1, 2016	
Revenues			
Affiliate fees	\$ 12,659	\$ 12,259	3 %
Advertising	8,129	8,509	(4)%
TV/SVOD distribution and other	2,722	2,921	(7)%
Total revenues	23,510	23,689	(1)%
Operating expenses	(14,068)	(13,571)	(4)%
Selling, general, administrative and other	(2,647)	(2,705)	2 %
Depreciation and amortization	(237)	(255)	7 %
Equity in the income of investees	344	597	(42)%
Operating Income	\$ 6,902	\$ 7,755	(11)%

Revenues

The increase in affiliate fees was due to an increase of 7% from higher contractual rates, partially offset by a decrease of 3% from subscribers.

The decrease in advertising revenues was due to decreases of \$192 million at Broadcasting, from \$4,058 million to \$3,866 million and \$188 million at Cable Networks, from \$4,451 million to \$4,263 million. The decrease at Broadcasting was due to decreases of 8% from lower network impressions and 1% from the absence of the Emmy Awards show, partially offset by an increase of 6% from higher network rates. The decrease at Cable Networks was due to decreases of 6% from lower impressions and 1% from other advertising, partially offset by an increase of 3% from higher rates. The decrease in impressions at Cable Networks and Broadcasting was due to lower average viewership.

TV/SVOD distribution and other revenue decreased \$199 million due to a decrease in program sales and an unfavorable FX Impact. The decrease in program sales was due to lower sales of cable and ABC programs.

Costs and Expenses

Operating expenses include programming and production costs, which increased \$559 million from \$12,363 million to \$12,922 million. At Cable Networks, programming and production costs increased \$636 million due to rate increases for NBA and, to a lesser extent, NFL and college sports programming. At Broadcasting, programming and production costs decreased \$77 million due to lower program sales.

Selling, general, administrative and other costs decreased \$58 million from \$2,705 million to \$2,647 million due to lower marketing costs at Cable Networks and a favorable FX Impact.

The decrease in depreciation and amortization was driven by lower depreciation for broadcasting equipment.

Equity in the Income of Investees

Income from equity investees decreased \$253 million from \$597 million to \$344 million due to higher losses from our investments in BAMTech and Hulu. BAMTech results reflected a valuation adjustment to sports programming rights that were prepaid prior to our acquisition of BAMTech and increased costs for technology platform investments. The decrease at Hulu was due to higher programming, distribution, marketing and labor costs, partially offset by growth in advertising and subscription revenues.

Segment Operating Income

Segment operating income decreased 11%, or \$853 million, to \$6,902 million due to a decrease at ESPN and lower income from equity investees.

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The following table provides supplemental revenue and operating income detail for the Media Networks segment:

(in millions)	Year Ended		% Change Better / (Worse)
	September 30, 2017	October 1, 2016	
Revenues			
Cable Networks	\$ 16,527	\$ 16,632	(1)%
Broadcasting	6,983	7,057	(1)%
	<u>\$ 23,510</u>	<u>\$ 23,689</u>	(1)%
Segment operating income			
Cable Networks	\$ 5,353	\$ 5,965	(10)%
Broadcasting	1,205	1,193	1 %
Equity in the income of investees	344	597	(42)%
	<u>\$ 6,902</u>	<u>\$ 7,755</u>	(11)%

Restructuring and Impairment Charges

The Company recorded charges of \$74 million, \$87 million and \$62 million related to Media Networks for fiscal years 2017, 2016 and 2015, respectively, that were reported in “Restructuring and impairment charges” in the Consolidated Statements of Income. The charges in fiscal 2017 were due to severance costs and asset impairments. The charges in fiscal 2016 were for an investment impairment and contract termination and severance costs. The charges in fiscal 2015 were due to a contract termination and severance costs.

Parks and Resorts

Operating results for the Parks and Resorts segment are as follows:

(in millions)	Year Ended		% Change Better / (Worse)
	September 30, 2017	October 1, 2016	
Revenues			
Domestic	\$ 14,812	\$ 14,242	4 %
International	3,603	2,732	32 %
Total revenues	18,415	16,974	8 %
Operating expenses	(10,667)	(10,039)	(6)%
Selling, general, administrative and other	(1,950)	(1,913)	(2)%
Depreciation and amortization	(1,999)	(1,721)	(16)%
Equity in the loss of investees	(25)	(3)	>(100)%
Operating Income	<u>\$ 3,774</u>	<u>\$ 3,298</u>	14 %

Revenues

Parks and Resorts revenues increased 8%, or \$1,441 million, to \$18.4 billion due to increases of \$ 871 million at our international operations and \$ 570 million at our domestic operations. Revenues at our domestic operations were unfavorably impacted by Hurricane Irma and Hurricane Matthew during the current year.

Revenue growth of 32% at our international operations was due to increases of 27% from higher volumes and 4% from higher average guest spending, partially offset by a decrease of 1% from an unfavorable FX Impact. Higher volumes were due to a full year of operations at Shanghai Disney Resort and higher attendance and occupied room nights at Disneyland Paris. Higher average guest spending was driven by an increase at Disneyland Paris and higher average ticket prices at Hong Kong Disneyland Resort, partially offset by lower average ticket prices at Shanghai Disney Resort. The increase at Disneyland Paris was primarily due to increases in food and beverage spending, average ticket prices and average daily hotel room rates.

Revenue growth of 4% at our domestic operations was primarily due to an increase of 3% from higher average guest spending due to an increase in average ticket prices for admissions to our theme parks and for sailings at our cruise line, as well as higher food and beverage spending and average hotel room rates. Domestic volumes were comparable to the prior year as increased attendance at Walt Disney World Resort was largely offset by lower occupied room nights at Walt Disney World

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Resort and Disneyland Resort. At Walt Disney World Resort, available hotel room nights decreased due to refurbishments and conversions to vacation club units.

The following table presents supplemental park and hotel statistics:

	Domestic		International ⁽²⁾		Total	
	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2017	Fiscal Year 2016
Parks						
Increase/ (decrease)						
Attendance	2%	(1)%	47 %	5%	13 %	1%
Per Capita Guest Spending	2%	7 %	(1)%	6%	(1)%	7%
Hotels ⁽¹⁾						
Occupancy	88%	89 %	80 %	78%	86 %	87%
Available Room Nights (in thousands)	10,205	10,382	3,022	2,600	13,227	12,982
Per Room Guest Spending	\$317	\$305	\$292	\$278	\$312	\$301

(1) Per room guest spending consists of the average daily hotel room rate as well as guest spending on food, beverage and merchandise at the hotels. Hotel statistics include rentals of Disney Vacation Club units.

(2) Per capita guest spending growth rate is stated on a constant currency basis. Per room guest spending is stated at the fiscal 2016 average foreign exchange rate.

Costs and Expenses

Operating expenses include operating labor, which increased \$281 million from \$4,709 million to \$4,990 million, infrastructure costs, which increased \$131 million from \$1,934 million to \$2,065 million and cost of sales, which increased \$120 million from \$1,536 million to \$1,656 million. The increase in operating labor was primarily due to inflation and a full year of operations at Shanghai Disney Resort. Higher infrastructure costs were driven by a full year of operations at Shanghai Disney Resort. The increase in cost of sales was due to a full year of operations at Shanghai Disney Resort, inflation and higher volumes. Other operating expenses, which include costs for items such as supplies, commissions and entertainment, increased due to new guest offerings and a full year of operations at Shanghai Disney Resort.

Selling, general, administrative and other costs increased \$37 million from \$1,913 million to \$1,950 million due to higher domestic marketing spend, partially offset by lower marketing spend for Shanghai Disney Resort.

The increase in depreciation and amortization was primarily due to a full year of operations at Shanghai Disney Resort and depreciation associated with new attractions at our domestic parks and resorts.

Equity in the Loss of Investees

Loss from equity investees increased \$22 million to \$25 million due to a higher operating loss from Disneyland Paris' 50% joint venture interest in Villages Nature.

Segment Operating Income

Segment operating income increased 14%, or \$476 million, to \$3.8 billion due to growth at our international and domestic operations.

Restructuring and Impairment Charges

The Company recorded \$9 million and \$17 million of severance costs related to Parks and Resorts for fiscal years 2017 and 2016, respectively that were reported in "Restructuring and impairment charges" in the Consolidated Statements of Income.

Studio Entertainment

Operating results for the Studio Entertainment segment are as follows:

(in millions)	Year Ended		% Change Better / (Worse)
	September 30, 2017	October 1, 2016	
Revenues			
Theatrical distribution	\$ 2,903	\$ 3,672	(21)%
Home entertainment	1,798	2,108	(15)%
TV/SVOD distribution and other	3,678	3,661	— %
Total revenues	8,379	9,441	(11)%
Operating expenses	(3,667)	(3,991)	8 %
Selling, general, administrative and other	(2,242)	(2,622)	14 %
Depreciation and amortization	(115)	(125)	8 %
Operating Income	\$ 2,355	\$ 2,703	(13)%

Revenues

The decrease in theatrical distribution revenue was primarily due to the comparison of *Star Wars: The Force Awakens* and two Pixar titles in release in the prior year compared to *Rogue One: A Star Wars Story* and one Pixar title in release in the current year. These decreases were partially offset by the performance of *Beauty and the Beast* and two Marvel titles in the current year compared to *The Jungle Book* and one Marvel title in the prior year. Other significant titles in the current year included *Moana* and *Pirates of the Caribbean: Dead Men Tell No Tales*, while the prior year included *Zootopia* and *Alice Through the Looking Glass*.

Lower home entertainment revenue was due to a decrease of 16% from a decline in unit sales driven by lower sales of Star Wars Classic titles and the performance of *Rogue One: A Star Wars Story* in the current year compared to the strong performance of *Star Wars: The Force Awakens* in the prior year. The current year also included the release of one Pixar title, compared to two Pixar titles in the prior year. These decreases were partially offset by the success of *Moana*, *Beauty and the Beast* and *Guardians of the Galaxy Vol. 2* in the current year compared to *Zootopia*, *Captain America: Civil War* and *The Jungle Book*, respectively, in the prior year.

TV/SVOD distribution and other revenue was flat as increases of 5% from TV/SVOD distribution, 1% from stage plays and 1% from Lucasfilm’s special effects business were offset by a decrease of 7% from lower revenue share with the Consumer Products & Interactive Media segment. The increase in TV/SVOD distribution revenue was due to international growth and higher domestic rates, partially offset by a decrease due to a domestic sale of Star Wars Classic titles in the prior year. Higher stage play revenue was driven by new productions opening in the current year, while higher revenue from Lucasfilm’s special effects business was driven by more projects in the current year. Lower revenue share with the Consumer Products & Interactive Media segment was due to the stronger performance of merchandise based on *Star Wars: The Force Awakens* and *Frozen* in the prior year, partially offset by Cars merchandise in the current year.

Costs and Expenses

Operating expenses include film cost amortization, which decrease d \$149 million, from \$2,623 million to \$2,474 million and cost of goods sold and distribution costs, which decrease d \$175 million, from \$1,368 million to \$1,193 million. Lower film cost amortization was due to the impact of lower revenues, partially offset by a higher average amortization rate in the current year. Lower cost of goods sold and distribution costs were primarily due to a decrease in theatrical distribution costs and a decline in home entertainment unit sales.

Selling, general, administrative and other costs decrease d \$380 million from \$2,622 million to \$2,242 million primarily due to lower theatrical marketing costs reflecting more titles released in the prior year, which also included the release of two DreamWorks titles, *Pete’s Dragon* and *The Finest Hours*.

Segment Operating Income

Segment operating income decrease d 13%, or \$348 million to \$2,355 million due to a decrease in theatrical distribution results, lower revenue share with the Consumer Products & Interactive Media segment and a decrease in home entertainment results. These decreases were partially offset by growth in TV/SVOD distribution.

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Restructuring and Impairment Charges

The Company recorded \$7 million of severance costs related to Studio Entertainment for fiscal year 2017 that were reported in “Restructuring and impairment charges” in the Consolidated Statements of Income.

Consumer Products & Interactive Media

Operating results for the Consumer Products & Interactive Media segment are as follows:

(in millions)	Year Ended		% Change Better / (Worse)
	September 30, 2017	October 1, 2016	
Revenues			
Licensing, publishing and games	\$ 3,256	\$ 3,819	(15)%
Retail and other	1,577	1,709	(8)%
Total revenues	4,833	5,528	(13)%
Operating expenses	(1,904)	(2,263)	16 %
Selling, general, administrative and other	(1,007)	(1,125)	10 %
Depreciation and amortization	(179)	(175)	(2)%
Equity in the income of investees	1	—	nm
Operating Income	\$ 1,744	\$ 1,965	(11)%

Revenues

The decrease in licensing, publishing and games revenue was due to decreases of 8% from our games business, 6% from our merchandise licensing business and 2% from our publishing business. Lower games revenue was due to the discontinuation of Infinity in the prior year and decreased licensing revenue from *Star Wars: Battlefront*. The decrease at our merchandise licensing business was due to lower revenue in the current year from merchandise based on Star Wars and *Frozen* and an unfavorable FX Impact, partially offset by a benefit from licensee settlements and higher revenue from merchandise based on Cars. The decrease at our publishing business was primarily due to lower sales of licensed and self-published books based on Star Wars and *Frozen* and a decrease in sales of comic books based on Star Wars.

The decrease in retail and other revenue was due to a decrease of 9% from our retail business driven by lower comparable store and online sales in our key markets, reflecting higher sales of *Frozen* and Star Wars merchandise in the prior year, partially offset by sales of *Moana* merchandise in the current year.

Costs and Expenses

Operating expenses included a \$249 million decrease in cost of goods sold and distribution costs, from \$1,340 million to \$1,091 million, a \$2 million increase in labor and occupancy costs, from \$539 million to \$541 million, and a \$96 million decrease in product development expense, from \$318 million to \$222 million. The decrease in cost of goods sold and distribution costs was due to the discontinuation of Infinity, lower retail sales and the decrease in sales of books and comics. Lower product development expense was primarily due to the discontinuation of Infinity and fewer mobile games in development.

Selling, general, administrative and other costs decreased \$118 million from \$1,125 million to \$1,007 million primarily due to the discontinuation of Infinity and a favorable FX Impact. The discontinuation of Infinity resulted in lower marketing costs.

Segment Operating Income

Segment operating income decreased 11%, or \$221 million, to \$1.7 billion due to lower results at our merchandise licensing, retail and publishing businesses, partially offset by an improvement at our games business.

Restructuring and Impairment Charges

The Company recorded charges of \$8 million and \$143 million related to Consumer Products & Interactive Media for fiscal years 2017 and 2016, respectively. The charges in fiscal 2017 included severance costs that were reported in “Restructuring and impairment charges” in the Consolidated Statements of Income. Charges in fiscal 2016 included the Infinity Charge of \$129 million, which was reported in “Cost of Products” in the Consolidated Statement of Income. The remaining charges of \$14 million in fiscal year 2016 were primarily due to severance costs and were reported in “Restructuring and impairment charges” in the Consolidated Statements of Income.

BUSINESS SEGMENT RESULTS – 2016 vs. 2015**Media Networks**

Operating results for the Media Networks segment are as follows:

(in millions)	Year Ended		% Change Better / (Worse)
	October 1, 2016	October 3, 2015	
Revenues			
Affiliate fees	\$ 12,259	\$ 12,029	2 %
Advertising	8,509	8,361	2 %
TV/SVOD distribution and other	2,921	2,874	2 %
Total revenues	23,689	23,264	2 %
Operating expenses	(13,571)	(13,150)	(3)%
Selling, general, administrative and other	(2,705)	(2,869)	6 %
Depreciation and amortization	(255)	(266)	4 %
Equity in the income of investees	597	814	(27)%
Operating Income	\$ 7,755	\$ 7,793	— %

Revenues

The increase in affiliate fees reflected an increase of 7% from higher contractual rates, partially offset by decreases of 2% from subscribers, 2% from an unfavorable Fiscal Period Impact and 1% from an unfavorable FX Impact.

The increase in advertising revenues was due to increases of \$117 million at Cable Networks, from \$4,334 million to \$4,451 million and \$31 million at Broadcasting, from \$4,027 million to \$4,058 million. The increase at Cable Networks was due to a 3% increase from higher rates and a 1% increase from higher impressions, partially offset by a decrease of 1% from an unfavorable Fiscal Period Impact. The increase in impressions was due to an increase in units sold, partially offset by lower average viewership. Growth at Broadcasting was due to increases of 6% from higher network rates and 1% from the addition of the Emmy Awards show, which were largely offset by decreases of 5% from lower impressions and 2% from an unfavorable Fiscal Period Impact. The decrease in impressions was due to lower average network viewership, partially offset by higher digital impressions and an increase in network units sold.

TV/SVOD distribution and other revenue increased \$47 million from \$2,874 million to \$2,921 million due to an increase in program sales, partially offset by an unfavorable FX Impact. The increase in program sales was due to higher sales of ABC programs, partially offset by lower sales of cable programs.

Costs and Expenses

Operating expenses include programming and production costs, which increased \$386 million from \$11,977 million to \$12,363 million. At Broadcasting, programming and production costs increased \$306 million due to a higher average amortization rate, the impact of higher program sales, as well as an increase in cost write-downs for network programming. These increases were partially offset by a favorable Fiscal Period Impact. At Cable Networks, programming and production costs increased \$80 million due to rate increases for sports programming, partially offset by the absence of rights costs for NASCAR and the British Open, a favorable Fiscal Period Impact and a favorable FX Impact.

Selling, general, administrative and other costs decreased \$164 million from \$2,869 million to \$2,705 million due to a favorable FX Impact and lower marketing and labor costs.

Equity in the Income of Investees

Income from equity investees decreased \$217 million from \$814 million to \$597 million due to a higher loss at Hulu and lower operating results at A+E. The decrease at Hulu was due to higher programming, marketing and labor costs, partially offset by growth in subscription and advertising revenues. The decrease at A+E was due to lower advertising revenue and the impact of the conversion of the H2 channel to Viceland.

Segment Operating Income

Segment operating income decreased \$38 million, to \$7,755 million due to lower income from equity investees and an unfavorable FX Impact, partially offset by increases at ESPN and the ABC TV Network. In addition, the Fiscal Period Impact was unfavorable to segment operating income, primarily at our cable networks business.

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The following table provides supplemental revenue and operating income detail for the Media Networks segment:

(in millions)	Year Ended		% Change Better / (Worse)
	October 1, 2016	October 3, 2015	
Revenues			
Cable Networks	\$ 16,632	\$ 16,581	— %
Broadcasting	7,057	6,683	6 %
	<u>\$ 23,689</u>	<u>\$ 23,264</u>	2 %
Segment operating income			
Cable Networks	\$ 5,965	\$ 5,891	1 %
Broadcasting	1,193	1,088	10 %
Equity in the income of investees	597	814	(27)%
	<u>\$ 7,755</u>	<u>\$ 7,793</u>	— %

Parks and Resorts

Operating results for the Parks and Resorts segment are as follows:

(in millions)	Year Ended		% Change Better / (Worse)
	October 1, 2016	October 3, 2015	
Revenues			
Domestic	\$ 14,242	\$ 13,611	5 %
International	2,732	2,551	7 %
Total revenues	16,974	16,162	5 %
Operating expenses	(10,039)	(9,730)	(3)%
Selling, general, administrative and other	(1,913)	(1,884)	(2)%
Depreciation and amortization	(1,721)	(1,517)	(13)%
Equity in the loss of investees	(3)	—	nm
Operating Income	<u>\$ 3,298</u>	<u>\$ 3,031</u>	9 %

Revenues

Parks and Resorts revenues increased 5%, or \$812 million, to \$17.0 billion due to increases of \$631 million at our domestic operations and \$181 million at our international operations.

Revenue growth of 5% at our domestic operations reflected an increase of 5% from higher average guest spending, partially offset by a decrease of 1% from lower volumes. The increase in average guest spending was due to higher average ticket prices for admissions to our theme parks and for sailings at our cruise line, increased food, beverage and merchandise spending and higher average hotel room rates. Lower volumes reflected an unfavorable Fiscal Period Impact as well as lower unit sales at Disney Vacation Club, partially offset by higher attendance and occupied room nights on a comparable fiscal period basis. The decrease at Disney Vacation Club was due to fiscal 2015 sales of units at The Villas at Disney's Grand Floridian Resort & Spa, which sold out in fiscal 2015, and lower sales at Aulani, partially offset by higher sales at Disney's Polynesian Villas & Bungalows in fiscal 2016.

Revenue growth of 7% at our international operations reflected increases of 6% from higher volumes and 4% from other revenue, partially offset by a decrease of 4% from an unfavorable FX Impact. Higher volumes were due to the opening of Shanghai Disney Resort, partially offset by lower attendance at Disneyland Paris and Hong Kong Disneyland Resort. The increase from other revenue was driven by Shanghai Disney Resort, including revenues for periods prior to its grand opening.

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The following table presents supplemental park and hotel statistics:

	Domestic		International ⁽²⁾		Total	
	Fiscal Year 2016	Fiscal Year 2015	Fiscal Year 2016	Fiscal Year 2015	Fiscal Year 2016	Fiscal Year 2015
Parks						
Increase/ (decrease)						
Attendance	(1)%	7%	5%	—%	1%	5%
Per Capita Guest Spending	7 %	4%	5%	5%	7%	4%
Hotels ⁽¹⁾						
Occupancy	89 %	87%	78%	79%	87%	86%
Available Room Nights (in thousands)	10,382	10,644	2,600	2,473	12,982	13,117
Per Room Guest Spending	\$305	\$295	\$285	\$295	\$302	\$295

⁽¹⁾ Per room guest spending consists of the average daily hotel room rate as well as guest spending on food, beverage and merchandise at the hotels. Hotel statistics include rentals of Disney Vacation Club units.

⁽²⁾ Per capita guest spending growth rate is stated on a constant currency basis. Per room guest spending is stated at the fiscal 2015 average foreign exchange rate.

Costs and Expenses

Operating expenses include operating labor, which increased \$129 million from \$4,580 million to \$4,709 million, infrastructure costs, which increased \$53 million from \$1,881 million to \$1,934 million and cost of sales, which increased \$31 million from \$1,505 million to \$1,536 million. The increase in operating labor was driven by the opening of Shanghai Disney Resort, inflation and higher operations support costs, partially offset by the benefit of efficiency initiatives and lower pension and postretirement medical costs. The increase in infrastructure costs was primarily due to the opening of Shanghai Disney Resort. The increase in cost of sales was driven by higher volumes. Other operating expenses, which include costs for items such as supplies, commissions and entertainment, increased driven by the opening of Shanghai Disney Resort, inflation and higher volumes. Operating expenses reflected a 2% decrease as a result of the Fiscal Period Impact, which had similar impacts on operating labor, cost of sales and infrastructure costs.

Selling, general, administrative and other costs increased \$29 million from \$1,884 million to \$1,913 million due to higher marketing spend for Shanghai Disney Resort, partially offset by lower domestic marketing spending.

The increase in depreciation and amortization was primarily due to the impact of Shanghai Disney Resort and depreciation associated with new attractions at our domestic parks and resorts.

Segment Operating Income

Segment operating income increased 9%, or \$267 million, to \$3.3 billion due to growth at our domestic operations, partially offset by a decrease at our international operations.

Studio Entertainment

Operating results for the Studio Entertainment segment are as follows:

(in millions)	Year Ended		% Change Better / (Worse)
	October 1, 2016	October 3, 2015	
Revenues			
Theatrical distribution	\$ 3,672	\$ 2,321	58 %
Home entertainment	2,108	1,799	17 %
TV/SVOD distribution and other	3,661	3,246	13 %
Total revenues	9,441	7,366	28 %
Operating expenses	(3,991)	(3,050)	(31)%
Selling, general, administrative and other	(2,622)	(2,204)	(19)%
Depreciation and amortization	(125)	(139)	10 %
Operating Income	\$ 2,703	\$ 1,973	37 %

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Revenues

The increase in theatrical distribution revenue was primarily due to the performance of *Star Wars: The Force Awakens*. Other significant titles in fiscal 2016 included *Captain America: Civil War*, *Finding Dory*, *Zootopia* and *The Jungle Book*, whereas fiscal 2015 included *Avengers: Age of Ultron*, *Inside Out*, *Big Hero 6* and *Cinderella*.

The increase in home entertainment revenue was due to increases of 14% from higher unit sales and 7% from higher average net effective pricing, partially offset by a decrease of 4% from an unfavorable FX Impact. The higher unit sales and net effective pricing were due to the strong performance of *Star Wars: The Force Awakens*. Other significant titles included *Inside Out*, *Zootopia*, *Captain America: Civil War*, *The Good Dinosaur* and *Ant-Man* in fiscal 2016 compared to *Guardians of the Galaxy*, *Big Hero 6*, *Frozen*, *Maleficent* and *Avengers: Age of Ultron* in fiscal 2015. Fiscal 2016 also reflected higher revenues from Star Wars Classic titles. Net effective pricing is the wholesale selling price adjusted for discounts, sales incentives and returns.

The increase in TV/SVOD distribution and other revenue was due to increases of 9% from TV/SVOD distribution and 7% from higher revenue share with the Consumer Products & Interactive Media segment, partially offset by a decrease of 3% from an unfavorable FX Impact. The increase in TV/SVOD distribution revenue was due to international growth, a sale of Star Wars Classic titles in fiscal 2016 and two Pixar VOD availabilities in fiscal 2016 compared to none in fiscal 2015. Higher revenue share with the Consumer Products & Interactive Media segment was due to the success of merchandise based on *Star Wars: The Force Awakens* in fiscal 2016, partially offset by lower sales of *Frozen* merchandise.

Costs and Expenses

Operating expenses include film cost amortization, which increased \$833 million, from \$1,790 million to \$2,623 million and cost of goods sold and distribution costs, which increased \$108 million, from \$1,260 million to \$1,368 million. The increase in film cost amortization was due to the impact of higher revenues and a higher average amortization rate in fiscal 2016. The increase in cost of goods sold and distribution costs was due to higher theatrical distribution costs and an increase in home entertainment unit sales, partially offset by a favorable FX Impact. Higher theatrical distribution costs were primarily due to the release of *Star Wars: The Force Awakens* in fiscal 2016, whereas fiscal 2015 had no comparable title.

Selling, general, administrative and other costs increased \$418 million from \$2,204 million to \$2,622 million driven by higher theatrical marketing costs reflecting more titles released in fiscal 2016, including the release of two DreamWorks titles.

Segment Operating Income

Segment operating income increased 37%, or \$730 million to \$2,703 million due to growth from theatrical and home entertainment results, an increase in TV/SVOD distribution and higher revenue share with the Consumer Products & Interactive Media segment.

Consumer Products & Interactive Media

Operating results for the Consumer Products & Interactive Media segment are as follows:

(in millions)	Year Ended		% Change Better / (Worse)
	October 1, 2016	October 3, 2015	
Revenues			
Licensing, publishing and games	\$ 3,819	\$ 3,850	(1)%
Retail and other	1,709	1,823	(6)%
Total revenues	5,528	5,673	(3)%
Operating expenses	(2,263)	(2,434)	7 %
Selling, general, administrative and other	(1,125)	(1,172)	4 %
Depreciation and amortization	(175)	(183)	4 %
Operating Income	\$ 1,965	\$ 1,884	4 %

Revenues

The decrease in licensing, publishing and games revenue was due to a 5% decrease from our games business, partially offset by a 4% increase from our merchandise licensing business. Lower games revenues were due to the discontinuation of the Infinity business, lower performance of our *Frozen Free Fall* mobile game and an unfavorable FX Impact, partially offset by revenues from *Star Wars: Battlefront*, which was released by a licensee in fiscal 2016. Higher merchandise licensing revenues were primarily due to the performance of merchandise based on Star Wars and *Finding Dory/Nemo*, partially offset by higher revenue share with the Studio Entertainment segment, a decrease in revenues from *Frozen* merchandise and an unfavorable FX Impact.

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The decrease in retail and other revenue was primarily due to a decrease of 4% from our retail business due to lower comparable store sales in Europe and North America, an unfavorable Fiscal Period Impact and an unfavorable FX Impact, partially offset by the benefit of new stores in North America.

Costs and Expenses

Operating expenses included a \$107 million decrease in cost of goods sold and distribution costs, from \$1,447 million to \$1,340 million, a \$5 million decrease in labor and occupancy costs, from \$544 million to \$539 million, and a \$49 million decrease in product development expense, from \$367 million to \$318 million. The decrease in cost of goods sold and distribution costs was due to the discontinuation of Infinity, lower *Frozen Free Fall* co-developer fees and a favorable Fiscal Period Impact, partially offset by higher average per unit costs at our retail business in North America and Europe and higher game inventory reserves. The decrease in product development expense was due to the discontinuation of Infinity.

Selling, general, administrative and other costs decreased \$47 million from \$1,172 million to \$1,125 million due to the discontinuation of Infinity, partially offset by higher marketing costs at our merchandise licensing business.

Segment Operating Income

Segment operating income increased 4%, or \$81 million, to \$1,965 million due to higher results at our merchandise licensing and games businesses, partially offset by a decrease at our retail business.

CORPORATE AND UNALLOCATED SHARED EXPENSES

Corporate and unallocated shared expenses are as follows:

(in millions)				% Change Better/(Worse)	
	2017	2016	2015	2017 vs. 2016	2016 vs. 2015
Corporate and unallocated shared expenses	\$ (582)	\$ (640)	\$ (643)	9%	—%

Corporate and unallocated shared expenses in fiscal 2017 decreased \$58 million to \$582 million from \$640 million in fiscal 2016 due to lower labor costs, partially offset by higher charitable contributions.

LIQUIDITY AND CAPITAL RESOURCES

The change in cash, cash equivalents and restricted cash is as follows:

(in millions)	2017	2016	2015
Cash provided by operations	\$ 12,343	\$ 13,136	\$ 11,385
Cash used in investing activities	(4,111)	(5,758)	(4,245)
Cash used in financing activities	(8,959)	(7,220)	(5,801)
Impact of exchange rates on cash, cash equivalents and restricted cash	31	(123)	(302)
Change in cash, cash equivalents and restricted cash	\$ (696)	\$ 35	\$ 1,037

Operating Activities

Cash provided by operating activities for fiscal 2017 decreased 6% or \$0.8 billion to \$12.3 billion compared to fiscal 2016 due to a decrease in operating cash flow at Studio Entertainment and an increase in pension plan contributions, partially offset by higher operating cash flow at Parks and Resorts and lower tax payments. The decrease in operating cash flow at Studio Entertainment was due to lower operating cash receipts driven by a decrease in revenue and higher film production spending. Parks and Resorts cash flow reflected higher operating cash receipts due to increased revenues, partially offset by higher payments for labor and other costs.

Cash provided by operating activities for fiscal 2016 increased 15% or \$1.8 billion to \$13.1 billion compared to fiscal 2015. The increase in operating cash flow was due to higher operating cash receipts at Studio Entertainment, Media Networks and Parks and Resorts driven by revenue growth. These increases were partially offset by higher operating cash disbursements at Studio Entertainment and an increase in pension plan contributions.

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Depreciation expense is as follows:

(in millions)	2017	2016	2015
Media Networks			
Cable Networks	\$ 137	\$ 147	\$ 150
Broadcasting	88	90	95
Total Media Networks	225	237	245
Parks and Resorts			
Domestic	1,336	1,273	1,169
International	660	445	345
Total Parks and Resorts	1,996	1,718	1,514
Studio Entertainment	50	51	55
Consumer Products & Interactive Media	63	63	69
Corporate	252	251	249
Total depreciation expense	\$ 2,586	\$ 2,320	\$ 2,132

Amortization of intangible assets is as follows:

(in millions)	2017	2016	2015
Media Networks	\$ 12	\$ 18	\$ 21
Parks and Resorts	3	3	3
Studio Entertainment	65	74	84
Consumer Products & Interactive Media	116	112	114
Total amortization of intangible assets	\$ 196	\$ 207	\$ 222

Film and Television Costs

The Company's Studio Entertainment and Media Networks segments incur costs to acquire and produce feature film and television programming. Film and television production costs include all internally produced content such as live-action and animated feature films, animated direct-to-video programming, television series, television specials, theatrical stage plays or other similar product. Programming costs include film or television product licensed for a specific period from third parties for airing on the Company's broadcast, cable networks and television stations. Programming assets are generally recorded when the programming becomes available to us with a corresponding increase in programming liabilities. Accordingly, we analyze our programming assets net of the related liability.

The Company's film and television production and programming activity for fiscal years 2017, 2016 and 2015 are as follows:

(in millions)	2017	2016	2015
Beginning balances:			
Production and programming assets	\$ 7,547	\$ 7,353	\$ 6,386
Programming liabilities	(1,063)	(989)	(875)
	6,484	6,364	5,511
Spending:			
Television program licenses and rights	7,406	6,585	6,335
Film and television production	5,319	4,632	4,701
	12,725	11,217	11,036
Amortization:			
Television program licenses and rights	(7,595)	(6,678)	(6,482)
Film and television production	(4,055)	(4,438)	(3,632)
	(11,650)	(11,116)	(10,114)
Change in film and television production and programming costs	1,075	101	922
Other non-cash activity	94	19	(69)
Ending balances:			
Production and programming assets	8,759	7,547	7,353
Programming liabilities	(1,106)	(1,063)	(989)
	\$ 7,653	\$ 6,484	\$ 6,364

Investing Activities

Investing activities consist principally of investments in parks, resorts and other property and acquisition and divestiture activity. The Company's investments in parks, resorts and other property for fiscal years 2017, 2016 and 2015 are as follows:

(in millions)	2017	2016	2015
Media Networks			
Cable Networks	\$ 75	\$ 86	\$ 127
Broadcasting	64	80	71
Parks and Resorts			
Domestic	2,375	2,180	1,457
International	816	2,035	2,147
Studio Entertainment	85	86	107
Consumer Products & Interactive Media	30	53	87
Corporate	178	253	269
	<u>\$ 3,623</u>	<u>\$ 4,773</u>	<u>\$ 4,265</u>

Capital expenditures for the Parks and Resorts segment are principally for theme park and resort expansion, new attractions, cruise ships, capital improvements and systems infrastructure. The increase at our domestic parks and resorts in fiscal 2017 compared to fiscal 2016 was due to spending on new attractions at Disneyland Resort, while the increase in fiscal 2016 compared to fiscal 2015 was due to spending on new attractions at Walt Disney World Resort and Disneyland Resort. The decrease in capital expenditures at our international parks and resorts in fiscal 2017 compared to fiscal 2016 was due to lower spending at Shanghai Disney Resort and Hong Kong Disneyland Resort, while the decrease in fiscal 2016 compared to fiscal 2015 was due to lower spending at Shanghai Disney Resort, partially offset by higher spending at Hong Kong Disneyland Resort.

Capital expenditures at Media Networks primarily reflect investments in facilities and equipment for expanding and upgrading broadcast centers, production facilities and television station facilities.

Capital expenditures at Corporate primarily reflect investments in corporate facilities, information technology infrastructure and equipment.

The Company currently expects its fiscal 2018 capital expenditures will be approximately \$1 billion higher than fiscal 2017 capital expenditures of \$3.6 billion due to increased investments at our domestic parks and resorts.

Other Investing Activities

During fiscal 2017, acquisitions of \$417 million reflected the January 2017 acquisition of an additional 18% interest in BAMTech for \$557 million, partially offset by \$140 million of cash assumed upon the consolidation of BAMTech following the September 2017 acquisition of an additional 42% interest. In addition, other investing activities reflected a \$71 million use of cash reflecting \$266 million of contributions to joint ventures and investment purchases, partially offset by \$173 million of proceeds from investment dispositions.

During fiscal 2016, acquisitions totaled \$850 million due to the acquisition of a 15% interest in BAMTech and an 11% interest in Vice. In addition, other investing activities reflected a \$135 million use of cash reflecting \$109 million of contributions to joint ventures and investment purchases and \$74 million in premiums paid for foreign currency option contracts in connection with our commitment to acquire two new cruise ships.

During fiscal 2015, other investing activities reflected \$20 million of cash proceeds reflecting \$166 million from the sale of investments and other assets, partially offset by contributions to joint ventures of \$151 million.

Financing Activities

Cash used in financing activities was \$ 9.0 billion in fiscal 2017 compared to \$ 7.2 billion in fiscal 2016 . The net use of cash in the current year was due to \$9.4 billion of common stock repurchases and \$2.4 billion in dividends, partially offset by net borrowings of \$3.7 billion . The increase in cash used in financing activities compared to fiscal 2016 was due to higher common stock repurchases (\$9.4 billion in fiscal 2017 compared to \$7.5 billion in fiscal 2016).

Cash used in financing activities was \$ 7.2 billion in fiscal 2016 compared to \$5.8 billion in fiscal 2015 . The net use of cash in fiscal 2016 was due to \$7.5 billion of common stock repurchases and \$2.3 billion in dividends, partially offset by net

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borrowings of \$2.9 billion . The increase in cash used in financing activities in fiscal 2016 compared to fiscal 2015 was due to higher common stock repurchases (\$7.5 billion in fiscal 2016 compared to \$6.1 billion in fiscal 2015).

During the year ended September 30, 2017 , the Company's borrowing activity was as follows:

(in millions)	October 1, 2016	Borrowings	Payments	Other Activity	September 30, 2017
Commercial paper with original maturities less than three months, net ⁽¹⁾	\$ 777	\$ 372	\$ —	\$ 2	\$ 1,151
Commercial paper with original maturities greater than three months	744	6,364	(5,489)	2	1,621
U.S. and European medium-term notes	16,827	4,741	(1,850)	3	19,721
Asia Theme Parks borrowings	1,087	13	—	45	1,145
BAMTech acquisition payable ⁽²⁾	—	—	—	1,581	1,581
Foreign currency denominated debt and other obligations ⁽³⁾	735	66	(514)	(215)	72
Total	\$ 20,170	\$ 11,556	\$ (7,853)	\$ 1,418	\$ 25,291

⁽¹⁾ Borrowings and reductions of borrowings are reported net.

⁽²⁾ See Note 3 to the Consolidated Financial Statements for further discussion of BAMTech.

⁽³⁾ The other activity is due to market value adjustments for debt with qualifying hedges.

See Note 8 to the Consolidated Financial Statements for information regarding the Company's bank facilities. The Company may use commercial paper borrowings up to the amount of its unused bank facilities, in conjunction with term debt issuance and operating cash flow, to retire or refinance other borrowings before or as they come due.

See Note 11 to the Consolidated Financial Statements for a summary of the Company's dividends and share repurchases in fiscal 2017 , 2016 and 2015 .

We believe that the Company's financial condition is strong and that its cash balances, other liquid assets, operating cash flows, access to debt and equity capital markets and borrowing capacity, taken together, provide adequate resources to fund ongoing operating requirements and future capital expenditures related to the expansion of existing businesses and development of new projects. However, the Company's operating cash flow and access to the capital markets can be impacted by macroeconomic factors outside of its control. See "Item 1A – Risk Factors". In addition to macroeconomic factors, the Company's borrowing costs can be impacted by short- and long-term debt ratings assigned by independent rating agencies, which are based, in significant part, on the Company's performance as measured by certain credit metrics such as interest coverage and leverage ratios. As of September 30, 2017 , Moody's Investors Service's long- and short-term debt ratings for the Company were A2 and P-1, respectively, with stable outlook; Standard & Poor's long- and short-term debt ratings for the Company were A+ and A-1+, respectively, with stable outlook; and Fitch's long- and short-term debt ratings for the Company were A and F-1, respectively, with stable outlook. The Company's bank facilities contain only one financial covenant, relating to interest coverage, which the Company met on September 30, 2017 , by a significant margin. The Company's bank facilities also specifically exclude certain entities, including the International Theme Parks, from any representations, covenants or events of default.

CONTRACTUAL OBLIGATIONS, COMMITMENTS AND OFF BALANCE SHEET ARRANGEMENTS

The Company has various contractual obligations, which are recorded as liabilities in our consolidated financial statements. Other items, such as certain purchase commitments and other executory contracts are not recognized as liabilities in our consolidated financial statements but are required to be disclosed in the footnotes to the financial statements. For example, the Company is contractually committed to acquire broadcast programming and make certain minimum lease payments for the use of property under operating lease agreements.

The following table summarizes our significant contractual obligations and commitments on an undiscounted basis at September 30, 2017 and the future periods in which such obligations are expected to be settled in cash. In addition, the table reflects the timing of principal and interest payments on outstanding borrowings based on their contractual maturities.

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Additional details regarding these obligations are provided in the Notes to the Consolidated Financial Statements, as referenced in the table:

(in millions)	Payments Due by Period				
	Total	Less than 1 Year	1-3 Years	4-5 Years	More than 5 Years
Borrowings (Note 8) ⁽¹⁾	\$ 32,796	\$ 6,718	\$ 6,833	\$ 4,873	\$ 14,372
Operating lease commitments (Note 14)	3,348	580	873	568	1,327
Capital lease obligations (Note 14)	533	25	32	30	446
Sports programming commitments (Note 14)	44,954	6,068	12,920	11,070	14,896
Broadcast programming commitments (Note 14)	2,594	594	792	403	805
Total sports and other broadcast programming commitments	47,548	6,662	13,712	11,473	15,701
Other ⁽²⁾	7,413	1,825	1,775	1,389	2,424
Total contractual obligations ⁽³⁾	\$ 91,638	\$ 15,810	\$ 23,225	\$ 18,333	\$ 34,270

⁽¹⁾ Excludes market value adjustments which reduce recorded borrowings by \$73 million. Includes interest payments based on contractual terms for fixed rate debt and on current interest rates for variable rate debt. In 2023, the Company has the ability to call a debt instrument prior to its scheduled maturity, which if exercised by the Company would reduce future interest payments by \$1.0 billion.

⁽²⁾ Other commitments primarily comprise contracts for the construction of three new cruise ships, creative talent and employment agreements and unrecognized tax benefits. Creative talent and employment agreements include obligations to actors, producers, sports, television and radio personalities and executives.

⁽³⁾ Contractual commitments include the following:

Liabilities recorded on the balance sheet	\$ 25,929
Commitments not recorded on the balance sheet	65,709
	<u>\$ 91,638</u>

The Company also has obligations with respect to its pension and postretirement medical benefit plans. See Note 10 to the Consolidated Financial Statements.

Contingent Commitments and Contractual Guarantees

See Notes 3, 6 and 14 to the Consolidated Financial Statements for information regarding the Company's contingent commitments and contractual guarantees.

Legal and Tax Matters

As disclosed in Notes 9 and 14 to the Consolidated Financial Statements, the Company has exposure for certain tax and legal matters.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We believe that the application of the following accounting policies, which are important to our financial position and results of operations require significant judgments and estimates on the part of management. For a summary of our significant accounting policies, including the accounting policies discussed below, see Note 2 to the Consolidated Financial Statements.

Film and Television Revenues and Costs

We expense film and television production, participation and residual costs over the applicable product life cycle based upon the ratio of the current period's revenues to the estimated remaining total revenues (Ultimate Revenues) for each production. If our estimate of Ultimate Revenues decreases, amortization of film and television costs may be accelerated. Conversely, if our estimate of Ultimate Revenues increases, film and television cost amortization may be slowed. For film productions, Ultimate Revenues include revenues from all sources that will be earned within ten years from the date of the initial theatrical release. For television series, Ultimate Revenues include revenues that will be earned within ten years from delivery of the first episode, or if still in production, five years from delivery of the most recent episode, if later.

With respect to films intended for theatrical release, the most sensitive factor affecting our estimate of Ultimate Revenues (and therefore affecting future film cost amortization and/or impairment) is theatrical performance. Revenues derived from

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other markets subsequent to the theatrical release (e.g., the home entertainment or television markets) have historically been highly correlated with the theatrical performance. Theatrical performance varies primarily based upon the public interest and demand for a particular film, the popularity of competing films at the time of release and the level of marketing effort. Upon a film's release and determination of the theatrical performance, the Company's estimates of revenues from succeeding windows and markets are revised based on historical relationships and an analysis of current market trends. The most sensitive factor affecting our estimate of Ultimate Revenues for released films is the level of expected home entertainment sales. Home entertainment sales vary based on the number and quality of competing home entertainment products, as well as the manner in which retailers market and price our products.

With respect to television series or other television productions intended for broadcast, the most sensitive factors affecting estimates of Ultimate Revenues are program ratings and the strength of the advertising market. Program ratings, which are an indication of market acceptance, directly affect the Company's ability to generate advertising revenues during the airing of the program. In addition, television series with greater market acceptance are more likely to generate incremental revenues through the licensing of program rights worldwide to television distributors, SVOD services and in home entertainment formats. Alternatively, poor ratings may result in cancellation of the program, which would require an immediate write-down of any unamortized production costs. A significant decline in the advertising market would also negatively impact our estimates.

We expense the cost of television broadcast rights for acquired series, movies and other programs based on the number of times the program is expected to be aired or on a straight-line basis over the useful life, as appropriate. Amortization of those television programming assets being amortized on a number of airings basis may be accelerated if we reduce the estimated future airings and slowed if we increase the estimated future airings. The number of future airings of a particular program is impacted primarily by the program's ratings in previous airings, expected advertising rates and availability and quality of alternative programming. Accordingly, planned usage is reviewed periodically and revised if necessary. We amortize rights costs for multi-year sports programming arrangements during the applicable seasons based on the estimated relative value of each year in the arrangement. The estimated value of each year is based on our projections of revenues over the contract period, which include advertising revenue and an allocation of affiliate revenue. If the annual contractual payments related to each season approximate each season's estimated relative value, we expense the related contractual payments during the applicable season. If planned usage patterns or estimated relative values by year were to change significantly, amortization of our sports rights costs may be accelerated or slowed.

Costs of film and television productions are subject to regular recoverability assessments, which compare the estimated fair values with the unamortized costs. The net realizable values of television broadcast program licenses and rights are reviewed using a daypart methodology. A daypart is defined as an aggregation of programs broadcast during a particular time of day or programs of a similar type. The Company's dayparts are: primetime, daytime, late night, news and sports (includes broadcast and cable networks). The net realizable values of other cable programming assets are reviewed on an aggregated basis for each cable network. Individual programs are written off when there are no plans to air or sublicense the program. Estimated values are based upon assumptions about future demand and market conditions. If actual demand or market conditions are less favorable than our projections, film, television and programming cost write-downs may be required.

Revenue Recognition

The Company has revenue recognition policies for its various operating segments that are appropriate to the circumstances of each business. See Note 2 to the Consolidated Financial Statements for a summary of these revenue recognition policies.

We reduce home entertainment revenues for estimated future returns of merchandise and for customer programs and sales incentives. These estimates are based upon historical return experience, current economic trends and projections of customer demand for and acceptance of our products. If we underestimate the level of returns or sales incentives in a particular period, we may record less revenue in later periods when returns or sales incentives exceed the estimated amount. Conversely, if we overestimate the level of returns or sales incentives for a period, we may have additional revenue in later periods when returns or sales incentives are less than estimated.

We recognize revenues from advance theme park ticket sales when the tickets are used. Revenues from annual pass sales are recognized ratably over the period for which the pass is available for use.

Pension and Postretirement Medical Plan Actuarial Assumptions

The Company's pension and postretirement medical benefit obligations and related costs are calculated using a number of actuarial assumptions. Two critical assumptions, the discount rate and the expected return on plan assets, are important elements of expense and/or liability measurement, which we evaluate annually. Other assumptions include the healthcare cost trend rate and employee demographic factors such as retirement patterns, mortality, turnover and rate of compensation increase.

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The discount rate enables us to state expected future cash payments for benefits as a present value on the measurement date. A lower discount rate increases the present value of benefit obligations and increases pension expense. The guideline for setting this rate is a high-quality long-term corporate bond rate. We increased our discount rate to 3.88% at the end of fiscal 2017 from 3.73% at the end of fiscal 2016 to reflect market interest rate conditions at our fiscal 2017 year end measurement date. The Company's discount rate was determined by considering yield curves constructed of a large population of high-quality corporate bonds and reflects the matching of plans' liability cash flows to the yield curves. A one percentage point decrease in the assumed discount rate would increase total benefit expense for fiscal 2018 by approximately \$263 million and would increase the projected benefit obligation at September 30, 2017 by approximately \$2.8 billion. A one percentage point increase in the assumed discount rate would decrease total benefit expense and the projected benefit obligation by approximately \$242 million and \$2.3 billion, respectively.

To determine the expected long-term rate of return on the plan assets, we consider the current and expected asset allocation as well as historical and expected returns on each plan asset class. Our expected return on plan assets is 7.50%. A lower expected rate of return on pension plan assets will increase pension expense, while a higher expected rate of return on pension plan assets will decrease pension expense. A one percentage point change in the long-term asset return assumption would impact fiscal 2018 annual benefit expense by approximately \$127 million.

Goodwill, Other Intangible Assets, Long-Lived Assets and Investments

The Company is required to test goodwill and other indefinite-lived intangible assets for impairment on an annual basis and if current events or circumstances require, on an interim basis. Goodwill is allocated to various reporting units, which are an operating segment or one level below the operating segment. The Company compares the fair value of each reporting unit to its carrying amount, and to the extent the carrying amount exceeds the fair value, an impairment of goodwill is recognized for the excess up to the amount of goodwill allocated to the reporting unit.

To determine the fair value of our reporting units, we generally use a present value technique (discounted cash flows) corroborated by market multiples when available and as appropriate. We apply what we believe to be the most appropriate valuation methodology for each of our reporting units. The discounted cash flow analyses are sensitive to our estimates of future revenue growth and margins for these businesses. We include in the projected cash flows an estimate of the revenue we believe the reporting unit would receive if the intellectual property developed by the reporting unit that is being used by other reporting units was licensed to an unrelated third party at its fair market value. These amounts are not necessarily the same as those included in segment operating results. We believe our estimates of fair value are consistent with how a marketplace participant would value our reporting units.

In times of adverse economic conditions in the global economy, the Company's long-term cash flow projections are subject to a greater degree of uncertainty than usual. If we had established different reporting units or utilized different valuation methodologies or assumptions, the impairment test results could differ, and we could be required to record impairment charges.

The Company is required to compare the fair values of other indefinite-lived intangible assets to their carrying amounts. If the carrying amount of an indefinite-lived intangible asset exceeds its fair value, an impairment loss is recognized for the excess. Fair values of other indefinite-lived intangible assets are determined based on discounted cash flows or appraised values, as appropriate.

The Company tests long-lived assets, including amortizable intangible assets, for impairment whenever events or changes in circumstances (triggering events) indicate that the carrying amount may not be recoverable. Once a triggering event has occurred, the impairment test employed is based on whether the intent is to hold the asset for continued use or to hold the asset for sale. The impairment test for assets held for use requires a comparison of cash flows expected to be generated over the useful life of an asset group to the carrying value of the asset group. An asset group is established by identifying the lowest level of cash flows generated by a group of assets that are largely independent of the cash flows of other assets and could include assets used across multiple businesses or segments. If the carrying value of an asset group exceeds the estimated undiscounted future cash flows, an impairment would be measured as the difference between the fair value of the group's long-lived assets and the carrying value of the group's long-lived assets. The impairment is allocated to the long-lived assets of the group on a pro rata basis using the relative carrying amounts, but only to the extent the carrying value of each asset is above its fair value. For assets held for sale, to the extent the carrying value is greater than the asset's fair value less costs to sell, an impairment loss is recognized for the difference. Determining whether a long-lived asset is impaired requires various estimates and assumptions, including whether a triggering event has occurred, the identification of the asset groups, estimates of future cash flows and the discount rate used to determine fair values. If we had established different asset groups or utilized different valuation methodologies or assumptions, the impairment test results could differ, and we could be required to record impairment charges.

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The Company has cost and equity investments. The fair value of these investments is dependent on the performance of the investee companies as well as volatility inherent in the external markets for these investments. In assessing the potential impairment of these investments, we consider these factors as well as the forecasted financial performance of the investees and market values, where available. If these forecasts are not met or market values indicate an other-than-temporary decline in value, impairment charges may be required.

The Company tested its goodwill and other indefinite-lived intangible assets, long-lived assets and investments for impairment and recorded non-cash impairment charges of \$22 million, \$7 million and \$10 million in fiscal years 2017, 2016 and 2015, respectively. These impairment charges were recorded in “Restructuring and impairment charges” in the Consolidated Statements of Income.

Allowance for Doubtful Accounts

We evaluate our allowance for doubtful accounts and estimate collectability of accounts receivable based on our analysis of historical bad debt experience in conjunction with our assessment of the financial condition of individual companies with which we do business. In times of domestic or global economic turmoil, our estimates and judgments with respect to the collectability of our receivables are subject to greater uncertainty than in more stable periods. If our estimate of uncollectible accounts is too low, costs and expenses may increase in future periods, and if it is too high, costs and expenses may decrease in future periods.

Contingencies and Litigation

We are currently involved in certain legal proceedings and, as required, have accrued estimates of the probable and estimable losses for the resolution of these proceedings. These estimates are based upon an analysis of potential results, assuming a combination of litigation and settlement strategies and have been developed in consultation with outside counsel as appropriate. From time to time, we may also be involved in other contingent matters for which we have accrued estimates for a probable and estimable loss. It is possible, however, that future results of operations for any particular quarterly or annual period could be materially affected by changes in our assumptions or the effectiveness of our strategies related to legal proceedings or our assumptions regarding other contingent matters. See Note 14 to the Consolidated Financial Statements for more detailed information on litigation exposure.

Income Tax Audits

As a matter of course, the Company is regularly audited by federal, state and foreign tax authorities. From time to time, these audits result in proposed assessments. Our determinations regarding the recognition of income tax benefits are made in consultation with outside tax and legal counsel, where appropriate, and are based upon the technical merits of our tax positions in consideration of applicable tax statutes and related interpretations and precedents and upon the expected outcome of proceedings (or negotiations) with taxing and legal authorities. The tax benefits ultimately realized by the Company may differ from those recognized in our future financial statements based on a number of factors, including the Company’s decision to settle rather than litigate a matter, relevant legal precedent related to similar matters and the Company’s success in supporting its filing positions with taxing authorities.

New Accounting Pronouncements

See Note 18 to the Consolidated Financial Statements for information regarding new accounting pronouncements.

FORWARD-LOOKING STATEMENTS

The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements made by or on behalf of the Company. We may from time to time make written or oral statements that are “forward-looking,” including statements contained in this report and other filings with the SEC and in reports to our shareholders. Such statements may, for example, express expectations or projections about future actions that we may take, including restructuring or strategic initiatives, or about developments beyond our control including changes in domestic or global economic conditions. These statements are made on the basis of management’s views and assumptions as of the time the statements are made and we undertake no obligation to update these statements. There can be no assurance, however, that our expectations will necessarily come to pass. Significant factors affecting these expectations are set forth under Item 1A – Risk Factors of this Report on Form 10-K.

ITEM 7A. Quantitative and Qualitative Disclosures About Market Risk

The Company is exposed to the impact of interest rate changes, foreign currency fluctuations, commodity fluctuations and changes in the market values of its investments.

Policies and Procedures

In the normal course of business, we employ established policies and procedures to manage the Company's exposure to changes in interest rates, foreign currencies and commodities using a variety of financial instruments.

Our objectives in managing exposure to interest rate changes are to limit the impact of interest rate volatility on earnings and cash flows and to lower overall borrowing costs. To achieve these objectives, we primarily use interest rate swaps to manage net exposure to interest rate changes related to the Company's portfolio of borrowings. By policy, the Company targets fixed-rate debt as a percentage of its net debt between minimum and maximum percentages.

Our objective in managing exposure to foreign currency fluctuations is to reduce volatility of earnings and cash flow in order to allow management to focus on core business issues and challenges. Accordingly, the Company enters into various contracts that change in value as foreign exchange rates change to protect the U.S. dollar equivalent value of its existing foreign currency assets, liabilities, commitments and forecasted foreign currency revenues and expenses. The Company utilizes option strategies and forward contracts that provide for the purchase or sale of foreign currencies to hedge probable, but not firmly committed, transactions. The Company also uses forward and option contracts to hedge foreign currency assets and liabilities. The principal foreign currencies hedged are the euro, British pound, Japanese yen and Canadian dollar. Cross-currency swaps are used to effectively convert foreign currency denominated borrowings to U.S. dollar denominated borrowings. By policy, the Company maintains hedge coverage between minimum and maximum percentages of its forecasted foreign exchange exposures generally for periods not to exceed four years. The gains and losses on these contracts offset changes in the U.S. dollar equivalent value of the related exposures. The economic or political conditions in a country could reduce our ability to hedge exposure to currency fluctuations in the country or our ability to repatriate revenue from the country.

Our objectives in managing exposure to commodity fluctuations are to use commodity derivatives to reduce volatility of earnings and cash flows arising from commodity price changes. The amounts hedged using commodity swap contracts are based on forecasted levels of consumption of certain commodities, such as fuel oil and gasoline.

It is the Company's policy to enter into foreign currency and interest rate derivative transactions and other financial instruments only to the extent considered necessary to meet its objectives as stated above. The Company does not enter into these transactions or any other hedging transactions for speculative purposes.

Value at Risk (VAR)

The Company utilizes a VAR model to estimate the maximum potential one-day loss in the fair value of its interest rate, foreign exchange, commodities and market sensitive equity financial instruments. The VAR model estimates were made assuming normal market conditions and a 95% confidence level. Various modeling techniques can be used in a VAR computation. The Company's computations are based on the interrelationships between movements in various interest rates, currencies, commodities and equity prices (a variance/co-variance technique). These interrelationships were determined by observing interest rate, foreign currency, commodity and equity market changes over the preceding quarter for the calculation of VAR amounts at each fiscal quarter end. The model includes all of the Company's debt as well as all interest rate and foreign exchange derivative contracts, commodities and market sensitive equity investments. Forecasted transactions, firm commitments, and accounts receivable and payable denominated in foreign currencies, which certain of these instruments are intended to hedge, were excluded from the model.

The VAR model is a risk analysis tool and does not purport to represent actual losses in fair value that will be incurred by the Company, nor does it consider the potential effect of favorable changes in market factors.

VAR on a combined basis decreased to \$92 million at September 30, 2017 from \$113 million at October 1, 2016 .

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The estimated maximum potential one-day loss in fair value, calculated using the VAR model, is as follows (unaudited, in millions):

Fiscal Year 2017	Interest Rate Sensitive Financial Instruments	Currency Sensitive Financial Instruments	Equity Sensitive Financial Instruments	Commodity Sensitive Financial Instruments	Combined Portfolio
Year end fiscal 2017 VAR	\$ 57	\$ 47	\$ 2	\$ 1	\$ 92
Average VAR	64	55	2	2	106
Highest VAR	80	64	2	2	126
Lowest VAR	56	46	2	1	92
Year end fiscal 2016 VAR	74	60	3	2	113

The VAR for Hong Kong Disneyland Resort and Shanghai Disney Resort is immaterial as of September 30, 2017 and accordingly has been excluded from the above table.

ITEM 8. Financial Statements and Supplementary Data

See Index to Financial Statements and Supplemental Data on page 55.

ITEM 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

ITEM 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We have established disclosure controls and procedures to ensure that the information required to be disclosed by the Company in the reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms and that such information is accumulated and made known to the officers who certify the Company's financial reports and to other members of senior management and the Board of Directors as appropriate to allow timely decisions regarding required disclosure.

Based on their evaluation as of September 30, 2017, the principal executive officer and principal financial officer of the Company have concluded that the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) are effective.

Management's Report on Internal Control Over Financial Reporting

Management's report set forth on page 56 is incorporated herein by reference.

Changes in Internal Controls

There have been no changes in our internal control over financial reporting during the fourth quarter of the fiscal year ended September 30, 2017, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. Other Information

None.

PART III

ITEM 10. Directors, Executive Officers and Corporate Governance

Information regarding Section 16(a) compliance, the Audit Committee, the Company's code of ethics, background of the directors and director nominations appearing under the captions "Section 16(a) Beneficial Ownership Reporting Compliance," "Committees," "Governing Documents," "Director Selection Process" and "Election of Directors" in the Company's Proxy Statement for the 2018 annual meeting of Shareholders is hereby incorporated by reference.

Information regarding executive officers is included in Part I of this Form 10-K as permitted by General Instruction G(3).

ITEM 11. Executive Compensation

Information appearing under the captions "Director Compensation," "Compensation Discussion and Analysis" and "Compensation Tables" in the 2018 Proxy Statement (other than the "Compensation Committee Report," which is deemed furnished herein by reference) is hereby incorporated by reference.

ITEM 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Information setting forth the security ownership of certain beneficial owners and management appearing under the caption "Stock Ownership" and information appearing under the caption "Equity Compensation Plans" in the 2018 Proxy Statement is hereby incorporated by reference.

ITEM 13. Certain Relationships and Related Transactions, and Director Independence

Information regarding certain related transactions appearing under the captions "Certain Relationships and Related Person Transactions" and information regarding director independence appearing under the caption "Director Independence" in the 2018 Proxy Statement is hereby incorporated by reference.

ITEM 14. Principal Accounting Fees and Services

Information appearing under the captions "Auditor Fees and Services" and "Policy for Approval of Audit and Permitted Non-Audit Services" in the 2018 Proxy Statement is hereby incorporated by reference.

PART IV**ITEM 15. Exhibits and Financial Statement Schedules**

(1) Financial Statements and Schedules

See Index to Financial Statements and Supplemental Data on page 55.

(2) Exhibits

The documents set forth below are filed herewith or incorporated herein by reference to the location indicated.

	Exhibit	Location
3.1	Restated Certificate of Incorporation of the Company	Exhibit 3.1 to the Form 10-K of the Company for the fiscal year ended October 1, 2016
3.2	Bylaws of the Company	Exhibit 3.2 to the Current Report on Form 8-K of the Company filed December 2, 2016
4.1	Five-Year Credit Agreement dated as of March 14, 2014	Exhibit 10.2 to the Current Report on Form 8-K of the Company, filed March 20, 2014
4.2	Five-Year Credit Agreement dated as of March 11, 2016	Exhibit 10.2 to the Current Report on Form 8-K of the Company filed March 14, 2016
4.3	364 Day Credit Agreement dated as of March 10, 2017	Exhibit 10.1 to the Current Report on Form 8-K of the Company filed March 13, 2017
4.4	Senior Debt Securities Indenture, dated as of September 24, 2001, between the Company and Wells Fargo Bank, N.A., as Trustee	Exhibit 4.1 to the Current Report on Form 8-K of the Company, filed September 24, 2001
4.5	Other long-term borrowing instruments are omitted pursuant to Item 601(b)(4)(iii) of Regulation S-K. The Company undertakes to furnish copies of such instruments to the Commission upon request	
10.1	Amended and Restated Employment Agreement, dated as of October 6, 2011, between the Company and Robert A. Iger	Exhibit 10.1 to the Form 10-K of the Company for the fiscal year ended October 1, 2011
10.2	Amendment dated July 1, 2013 to Amended and Restated Employment Agreement, dated as of October 6, 2011, between the Company and Robert A. Iger	Exhibit 10.1 to the Current Report on Form 8-K of the Company filed July 1, 2013
10.3	Amendment dated October 2, 2014 to Amended and Restated Employment Agreement, dated as of October 6, 2011, between the Company and Robert A. Iger	Exhibit 10.1 to the Current Report on Form 8-K of the Company filed October 3, 2014
10.4	Amendment dated March 22, 2017 to Amended and Restated Employment Agreement, dated as of October 6, 2011, between the Company and Robert A. Iger	Exhibit 10.1 to the Current Report on Form 8-K of the Company filed March 23, 2017
10.5	Employment Agreement, dated as of September 27, 2013 between the Company and Alan N. Braverman	Exhibit 10.1 to the Current Report on Form 8-K of the Company filed October 2, 2013
10.6	Amendment dated February 4, 2015 to the Employment Agreement dated as of September 27, 2013 between the Company and Alan N. Braverman	Exhibit 10.2 to the Current Report on Form 8-K of the Company filed February 5, 2015
10.7	Amendment dated August 15, 2017 to the Employment Agreement dated as of September 27, 2013 between the Company and Alan N. Braverman	Exhibit 10.2 to the Current Report on Form 8-K of the Company filed August 17, 2017
10.8	Employment Agreement dated as of July 1, 2015 between the Company and Kevin A. Mayer	Exhibit 10.2 to the Current Report on Form 8-K of the Company filed June 30, 2015
10.9	Amendment dated August 15, 2017 to the Employment Agreement dated as of July 1, 2015 between the Company and Kevin A. Mayer	Exhibit 10.3 to the Current Report on Form 8-K of the Company filed August 17, 2017
10.10	Employment Agreement dated August 15, 2017 and effective between the Company and Jayne Parker	Exhibit 10.1 to the Current Report on Form 8-K of the Company filed August 17, 2017
10.11	Employment Agreement dated as of July 1, 2015 between the Company and Christine M. McCarthy	Exhibit 10.1 to the Current Report on Form 8-K of the Company filed June 30, 2015
10.12	Amendment dated August 15, 2017 to the Employment Agreement dated as of July 1, 2015 between the Company and Christine M. McCarthy	Exhibit 10.4 to the Current Report on Form 8-K of the Company filed August 17, 2017

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	Exhibit	Location
10.13	Voluntary Non-Qualified Deferred Compensation Plan	Exhibit 10.1 to the Current Report on Form 8-K of the Company filed December 23, 2014
10.14	Description of Directors Compensation	Exhibit 10.1 to the Form 10-Q of the Company for the quarter ended July 2, 2016
10.15	Form of Indemnification Agreement for certain officers and directors	Annex C to the Proxy Statement for the 1987 annual meeting of DEI
10.16	1995 Stock Option Plan for Non-Employee Directors	Exhibit 20 to the Form S-8 Registration Statement (No. 33-57811) of DEI, dated Feb. 23, 1995
10.17	Amended and Restated 2002 Executive Performance Plan	Annex A to the Proxy Statement for the 2013 Annual Meeting of the Registrant
10.18	Management Incentive Bonus Program	The portions of the tables labeled “Performance based Bonus” in the sections of the Proxy Statement for the 2017 annual meeting of the Company titled “2016 Total Direct Compensation” and “Compensation Process” and the section of the Proxy Statement titled “Performance Goals”
10.19	Amended and Restated 1997 Non-Employee Directors Stock and Deferred Compensation Plan	Annex II to the Proxy Statement for the 2003 annual meeting of the Company
10.20	Amended and Restated The Walt Disney Company/Pixar 2004 Equity Incentive Plan	Exhibit 10.1 to the Current Report on Form 8-K of the Company filed December 1, 2006
10.21	Amended and Restated 2011 Stock Incentive Plan	Exhibit 10.1 to the Form 8-K of the Company filed March 16, 2012
10.22	Disney Key Employees Retirement Savings Plan	Exhibit 10.1 to the Form 10-Q of the Company for the quarter ended July 2, 2011
10.23	Amendments dated April 30, 2015 to the Amended and Restated The Walt Disney Productions and Associated Companies Key Employees Deferred Compensation and Retirement Plan, Amended and Restated Benefit Equalization Plan of ABC, Inc. and Disney Key Employees Retirement Savings Plan	Exhibit 10.3 to the Form 10-Q of the Company for the quarter ended March 28, 2015
10.24	Group Personal Excess Liability Insurance Plan	Exhibit 10(x) to the Form 10-K of the Company for the period ended September 30, 1997
10.25	Amended and Restated Severance Pay Plan	Exhibit 10.4 to the Form 10-Q of the Company for the quarter ended December 27, 2008
10.26	Form of Restricted Stock Unit Award Agreement (Time-Based Vesting)	Exhibit 10(aa) to the Form 10-K of the Company for the period ended September 30, 2004
10.27	Form of Performance-Based Stock Unit Award Agreement (Section 162(m) Vesting Requirement)	Exhibit 10.2 to the Form 10-Q of the Company for the quarter ended April 2, 2011
10.28	Form of Performance-Based Stock Unit Award Agreement (Three-Year Vesting subject to Total Shareholder Return/EPS Growth Tests/ Section 162(m) Vesting Requirement)	Exhibit 10.1 to the Current Report on Form 8-K of the Company filed January 11, 2013
10.29	Form of Non-Qualified Stock Option Award Agreement	Exhibit 10.4 to the Form 10-Q of the Company for the quarter ended April 2, 2011
10.30	Disney Savings and Investment Plan as Amended and Restated Effective January 1, 2015	Filed herewith
10.31	First Amendment dated December 19, 2016 to the Disney Savings and Investment Plan as amended and restated effective January 1, 2015	Filed herewith
10.32	Second Amendment dated December 3, 2012 to the Disney Savings and Investment Plan	Exhibit 10.2 to the Form 10-Q of the Company for the quarter ended December 29, 2012
10.33	Third Amendment dated December 18, 2014 to the Disney Savings and Investment Plan	Exhibit 10.4 to the Form 10-Q of the Company for the quarter ended March 28, 2015
10.34	Fourth Amendment dated April 30, 2015 to the Disney Savings and Investment Plan	Exhibit 10.5 to the Form 10-Q of the Company for the quarter ended March 28, 2015

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	Exhibit	Location
12.1	Ratio of earnings to fixed charges	Filed herewith
21	Subsidiaries of the Company	Filed herewith
23	Consent of PricewaterhouseCoopers LLP	Filed herewith
31(a)	Rule 13a-14(a) Certification of Chief Executive Officer of the Company in accordance with Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith
31(b)	Rule 13a-14(a) Certification of Chief Financial Officer of the Company in accordance with Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith
32(a)	Section 1350 Certification of Chief Executive Officer of the Company in accordance with Section 906 of the Sarbanes-Oxley Act of 2002*	Furnished herewith
32(b)	Section 1350 Certification of Chief Financial Officer of the Company in accordance with Section 906 of the Sarbanes-Oxley Act of 2002*	Furnished herewith
101	The following materials from the Company's Annual Report on Form 10-K for the year ended September 30, 2017 formatted in Extensible Business Reporting Language (XBRL): (i) the Consolidated Statements of Income, (ii) the Consolidated Statements of Comprehensive Income, (iii) the Consolidated Balance Sheets, (iv) the Consolidated Statements of Cash Flows, (v) the Consolidated Statements of Equity and (vi) related notes	Filed herewith

* A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the SEC or its staff upon request.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: November 22, 2017

	THE WALT DISNEY COMPANY
	(Registrant)
By:	/s/ ROBERT A. IGER
	(Robert A. Iger, Chairman and Chief Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
<i>Principal Executive Officer</i>		
/s/ ROBERT A. IGER (Robert A. Iger)	Chairman and Chief Executive Officer	November 22, 2017
<i>Principal Financial and Accounting Officers</i>		
/s/ CHRISTINE M. MCCARTHY (Christine M. McCarthy)	Senior Executive Vice President and Chief Financial Officer	November 22, 2017
/s/ BRENT A. WOODFORD (Brent A. Woodford)	Executive Vice President-Controllershship, Financial Planning and Tax	November 22, 2017
<i>Directors</i>		
/s/ SUSAN E. ARNOLD (Susan E. Arnold)	Director	November 22, 2017
/s/ MARY T. BARRA (Mary T. Barra)	Director	November 22, 2017
/s/ JOHN S. CHEN (John S. Chen)	Director	November 22, 2017
/s/ JACK DORSEY (Jack Dorsey)	Director	November 22, 2017
/s/ ROBERT A. IGER (Robert A. Iger)	Chairman of the Board and Director	November 22, 2017
/s/ MARIA ELENA LAGOMASINO (Maria Elena Lagomasino)	Director	November 22, 2017
/s/ FRED H. LANGHAMMER (Fred H. Langhammer)	Director	November 22, 2017
/s/ AYLWIN B. LEWIS (Aylwin B. Lewis)	Director	November 22, 2017
/s/ ROBERT W. MATSCHULLAT (Robert W. Matschullat)	Director	November 22, 2017
/s/ MARK G. PARKER (Mark G. Parker)	Director	November 22, 2017
/s/ SHERYL SANDBERG (Sheryl Sandberg)	Director	November 22, 2017
/s/ ORIN C. SMITH (Orin C. Smith)	Director	November 22, 2017

**THE WALT DISNEY COMPANY AND SUBSIDIARIES
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All schedules are omitted for the reason that they are not applicable or the required information is included in the financial statements or notes.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). The Company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements prepared for external purposes in accordance with generally accepted accounting principles. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Under the supervision and with the participation of management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013. Based on our evaluation under the framework in *Internal Control - Integrated Framework*, management concluded that our internal control over financial reporting was effective as of September 30, 2017 .

The effectiveness of our internal control over financial reporting as of September 30, 2017 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report, which is included herein.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of The Walt Disney Company

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, comprehensive income, cash flows and shareholders' equity present fairly, in all material respects, the financial position of The Walt Disney Company and its subsidiaries (the Company) as of September 30, 2017 and October 1, 2016, and the results of their operations and their cash flows for each of the three years in the period ended September 30, 2017 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of September 30, 2017, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits 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 and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included 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. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/PRICEWATERHOUSECOOPERS LLP

Los Angeles, California
November 22, 2017

CONSOLIDATED STATEMENTS OF INCOME
(in millions, except per share data)

	2017	2016	2015
Revenues:			
Services	\$ 46,843	\$ 47,130	\$ 43,894
Products	8,294	8,502	8,571
Total revenues	55,137	55,632	52,465
Costs and expenses:			
Cost of services (exclusive of depreciation and amortization)	(25,320)	(24,653)	(23,191)
Cost of products (exclusive of depreciation and amortization)	(4,986)	(5,340)	(5,173)
Selling, general, administrative and other	(8,176)	(8,754)	(8,523)
Depreciation and amortization	(2,782)	(2,527)	(2,354)
Total costs and expenses	(41,264)	(41,274)	(39,241)
Restructuring and impairment charges	(98)	(156)	(53)
Other income, net	78	—	—
Interest expense, net	(385)	(260)	(117)
Equity in the income of investees	320	926	814
Income before income taxes	13,788	14,868	13,868
Income taxes	(4,422)	(5,078)	(5,016)
Net income	9,366	9,790	8,852
Less: Net income attributable to noncontrolling interests	(386)	(399)	(470)
Net income attributable to The Walt Disney Company (Disney)	\$ 8,980	\$ 9,391	\$ 8,382
Earnings per share attributable to Disney:			
Diluted	\$ 5.69	\$ 5.73	\$ 4.90
Basic	\$ 5.73	\$ 5.76	\$ 4.95
Weighted average number of common and common equivalent shares outstanding:			
Diluted	1,578	1,639	1,709
Basic	1,568	1,629	1,694
Dividends declared per share	\$ 1.56	\$ 1.42	\$ 1.81

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in millions)

	2017	2016	2015
Net Income	\$ 9,366	\$ 9,790	\$ 8,852
Other comprehensive income/(loss), net of tax:			
Market value adjustments for investments	(18)	13	(87)
Market value adjustments for hedges	(37)	(359)	130
Pension and postretirement medical plan adjustments	584	(1,154)	(301)
Foreign currency translation and other	(103)	(156)	(272)
Other comprehensive income/(loss)	426	(1,656)	(530)
Comprehensive income	9,792	8,134	8,322
Net income attributable to noncontrolling interests	(386)	(399)	(470)
Other comprehensive loss attributable to noncontrolling interests	25	98	77
Comprehensive income attributable to Disney	\$ 9,431	\$ 7,833	\$ 7,929

See Notes to Consolidated Financial Statements

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CONSOLIDATED BALANCE SHEETS
(in millions, except per share data)

	September 30, 2017	October 1, 2016
ASSETS		
Current assets		
Cash and cash equivalents	\$ 4,017	\$ 4,610
Receivables	8,633	9,065
Inventories	1,373	1,390
Television costs and advances	1,278	1,208
Other current assets	588	693
Total current assets	15,889	16,966
Film and television costs	7,481	6,339
Investments	3,202	4,280
Parks, resorts and other property		
Attractions, buildings and equipment	54,043	50,270
Accumulated depreciation	(29,037)	(26,849)
	25,006	23,421
Projects in progress	2,145	2,684
Land	1,255	1,244
	28,406	27,349
Intangible assets, net	6,995	6,949
Goodwill	31,426	27,810
Other assets	2,390	2,340
Total assets	\$ 95,789	\$ 92,033
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and other accrued liabilities	\$ 8,855	\$ 9,130
Current portion of borrowings	6,172	3,687
Deferred revenue and other	4,568	4,025
Total current liabilities	19,595	16,842
Borrowings	19,119	16,483
Deferred income taxes	4,480	3,679
Other long-term liabilities	6,443	7,706
Commitments and contingencies (Note 14)		
Redeemable noncontrolling interests	1,148	—
Equity		
Preferred stock, \$.01 par value		
Authorized – 100 million shares, Issued – none	—	—
Common stock, \$.01 par value, Authorized – 4.6 billion shares, Issued – 2.9 billion shares	36,248	35,859
Retained earnings	72,606	66,088
Accumulated other comprehensive loss	(3,528)	(3,979)
	105,326	97,968
Treasury stock, at cost, 1.4 billion shares at September 30, 2017 and 1.3 billion shares at October 1, 2016	(64,011)	(54,703)
Total Disney Shareholders' equity	41,315	43,265
Noncontrolling interests	3,689	4,058
Total equity	45,004	47,323
Total liabilities and equity	\$ 95,789	\$ 92,033

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions)

	2017	2016	2015
OPERATING ACTIVITIES			
Net income	\$ 9,366	\$ 9,790	\$ 8,852
Depreciation and amortization	2,782	2,527	2,354
Gains on acquisitions and sales of investments	(289)	(26)	(91)
Deferred income taxes	334	1,214	(102)
Equity in the income of investees	(320)	(926)	(814)
Cash distributions received from equity investees	788	799	752
Net change in film and television costs and advances	(1,075)	(101)	(922)
Equity-based compensation	364	393	410
Other	503	674	628
Changes in operating assets and liabilities:			
Receivables	107	(393)	(211)
Inventories	(5)	186	1
Other assets	(52)	(443)	223
Accounts payable and other accrued liabilities	(368)	40	(49)
Income taxes	208	(598)	354
Cash provided by operations	<u>12,343</u>	<u>13,136</u>	<u>11,385</u>
INVESTING ACTIVITIES			
Investments in parks, resorts and other property	(3,623)	(4,773)	(4,265)
Acquisitions	(417)	(850)	—
Other	(71)	(135)	20
Cash used in investing activities	<u>(4,111)</u>	<u>(5,758)</u>	<u>(4,245)</u>
FINANCING ACTIVITIES			
Commercial paper borrowings/(repayments), net	1,247	(920)	2,376
Borrowings	4,820	6,065	2,550
Reduction of borrowings	(2,364)	(2,205)	(2,221)
Dividends	(2,445)	(2,313)	(3,063)
Repurchases of common stock	(9,368)	(7,499)	(6,095)
Proceeds from exercise of stock options	276	259	329
Contributions from noncontrolling interest holders	17	—	1,012
Other	(1,142)	(607)	(689)
Cash used in financing activities	<u>(8,959)</u>	<u>(7,220)</u>	<u>(5,801)</u>
Impact of exchange rates on cash, cash equivalents and restricted cash	31	(123)	(302)
Change in cash, cash equivalents and restricted cash	(696)	35	1,037
Cash, cash equivalents and restricted cash, beginning of year	4,760	4,725	3,688
Total cash, cash equivalents and restricted cash	<u>\$ 4,064</u>	<u>\$ 4,760</u>	<u>\$ 4,725</u>
Supplemental disclosure of cash flow information:			
Interest paid	<u>\$ 466</u>	<u>\$ 395</u>	<u>\$ 314</u>
Income taxes paid	<u>\$ 3,801</u>	<u>\$ 4,133</u>	<u>\$ 4,396</u>

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(in millions)

	Equity Attributable to Disney							
	Shares	Common Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Disney Equity	Non-controlling Interests	Total Equity
Balance at September 27, 2014	1,707	\$ 34,301	\$ 53,734	\$ (1,968)	\$ (41,109)	\$ 44,958	\$ 3,220	\$ 48,178
Comprehensive income	—	—	8,382	(453)	—	7,929	393	8,322
Equity compensation activity	14	828	—	—	—	828	—	828
Common stock repurchases	(60)	—	—	—	(6,095)	(6,095)	—	(6,095)
Dividends	—	24	(3,087)	—	—	(3,063)	—	(3,063)
Contributions	—	—	—	—	—	—	1,012	1,012
Distributions and other	—	(31)	(1)	—	—	(32)	(495)	(527)
Balance at October 3, 2015	1,661	\$ 35,122	\$ 59,028	\$ (2,421)	\$ (47,204)	\$ 44,525	\$ 4,130	\$ 48,655
Comprehensive income	—	—	9,391	(1,558)	—	7,833	301	8,134
Equity compensation activity	10	726	—	—	—	726	—	726
Common stock repurchases	(74)	—	—	—	(7,499)	(7,499)	—	(7,499)
Dividends	—	15	(2,328)	—	—	(2,313)	—	(2,313)
Distributions and other	—	(4)	(3)	—	—	(7)	(373)	(380)
Balance at October 1, 2016	1,597	\$ 35,859	\$ 66,088	\$ (3,979)	\$ (54,703)	\$ 43,265	\$ 4,058	\$ 47,323
Comprehensive income	—	—	8,980	451	—	9,431	361	9,792
Equity compensation activity	8	529	—	—	—	529	—	529
Common stock repurchases	(89)	—	—	—	(9,368)	(9,368)	—	(9,368)
Dividends	—	13	(2,458)	—	—	(2,445)	—	(2,445)
Distributions and other	1	(153)	(4)	—	60	(97)	(730)	(827)
Balance at September 30, 2017	1,517	\$ 36,248	\$ 72,606	\$ (3,528)	\$ (64,011)	\$ 41,315	\$ 3,689	\$ 45,004

See Notes to Consolidated Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Tabular dollars in millions, except per share amounts)

1 Description of the Business and Segment Information

The Walt Disney Company, together with the subsidiaries through which businesses are conducted (the Company), is a diversified worldwide entertainment company with operations in the following business segments: Media Networks, Parks and Resorts, Studio Entertainment, and Consumer Products & Interactive Media.

The Company is preparing to launch two direct-to-consumer (DTC) streaming services, one in 2018 and one in late 2019. An ESPN-branded service distributing multi-sports content is planned for 2018 and a Disney-branded service distributing the Company's film and television content is planned for 2019. BAMTech LLC (BAMTech), a streaming technology and content delivery business, is providing technical support for the launch and distribution of these services (see Note 3 for further discussion of the BAMTech transaction).

DESCRIPTION OF THE BUSINESS

Media Networks

The Company operates cable programming services branded ESPN, Disney and Freeform, broadcast businesses, which include the ABC TV Network and eight owned television stations, radio businesses consisting of the ESPN Radio network, including four owned ESPN radio stations, and Radio Disney. The ABC TV and ESPN Radio networks have affiliated stations providing coverage to consumers throughout the U.S. The Company also produces original live-action and animated television programming, which may be sold in network, first-run syndication and other television markets worldwide, to subscription video-on-demand services and in home entertainment formats (such as DVD, Blu-Ray and electric home video license). The Company has interests in media businesses that are accounted for under the equity method including A+E Television Networks LLC (A+E), CTV Specialty Television, Inc. (CTV), Hulu LLC (Hulu), Seven TV and Vice Group Holding, Inc. (Vice). Our Media Networks business also operates branded internet sites and apps. In September 2017, the Company acquired an incremental 42% interest in BAMTech bringing the Company's aggregate ownership interest to 75% , and the Company now consolidates BAMTech. Prior to the September 2017 acquisition, BAMTech was accounted for under the equity method.

Parks and Resorts

The Company owns and operates the Walt Disney World Resort in Florida and the Disneyland Resort in California. The Walt Disney World Resort includes four theme parks (the Magic Kingdom, Epcot, Disney's Hollywood Studios and Disney's Animal Kingdom); 18 resort hotels; vacation club properties; a retail, dining and entertainment complex (Disney Springs); a sports complex; conference centers; campgrounds; water parks; and other recreational facilities. The Disneyland Resort includes two theme parks (Disneyland and Disney California Adventure), three resort hotels and a retail, dining and entertainment complex (Downtown Disney). Internationally, the Company owns and operates Disneyland Paris, which includes two theme parks (Disneyland Park and Walt Disney Studios Park); seven themed resort hotels; two convention centers; a shopping, dining and entertainment complex (Disney Village); a 27-hole golf facility; and a 50% interest in Villages Nature, a European eco-tourism resort. The Company manages and has a 47% ownership interest in Hong Kong Disneyland Resort, which includes one theme park and three themed resort hotels. The Company has a 43% ownership interest in Shanghai Disney Resort, which opened in June 2016 and includes one theme park; two themed resort hotels; a retail, dining and entertainment complex (Disneytown); and an outdoor recreational area. The Company also has a 70% ownership interest in the management company of Shanghai Disney Resort. The Company earns royalties on revenues generated by the Tokyo Disney Resort, which includes two theme parks (Tokyo Disneyland and Tokyo DisneySea) and four Disney-branded hotels and is owned and operated by an unrelated Japanese corporation. The Company manages and markets vacation club ownership interests through the Disney Vacation Club; operates the Disney Cruise Line; the Adventures by Disney guided group vacations business; and Aulani, a hotel and vacation club resort in Hawaii. The Company's Walt Disney Imagineering unit designs and develops theme park concepts and attractions as well as resort properties.

Studio Entertainment

The Company produces and acquires live-action and animated motion pictures for worldwide distribution in the theatrical, home entertainment and television markets and to subscription video on demand services. The Company distributes these products through its own distribution and marketing companies in the U.S. and both directly and through independent companies and joint ventures in foreign markets primarily under the Walt Disney Pictures, Pixar, Marvel, Lucasfilm and Touchstone banners. The Company also produces stage plays and musical recordings, licenses and produces live entertainment events and provides visual and audio effects and other post-production services.

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Consumer Products & Interactive Media

The Company licenses its trade names, characters and visual and literary properties to various manufacturers, game developers, publishers and retailers throughout the world. We also develop and publish mobile games. The Company's operations include retail and online distribution of products through The Disney Store, shopDisney.com, shop.Marvel.com and wholesale distribution direct to retailers. We operate The Disney Store in North America, Western Europe, Japan and China. The Company publishes entertainment and educational books and magazines and comic books for children and families and operates English language learning centers in China. In addition, the segment's operations include website management and design, primarily for other Company businesses. We distribute online video content and provide online marketing services through Disney Digital Network, which includes Maker Studios, a network and developer of online video content.

SEGMENT INFORMATION

The operating segments reported below are the segments of the Company for which separate financial information is available and for which segment results are evaluated regularly by the Chief Executive Officer in deciding how to allocate resources and in assessing performance.

Segment operating results reflect earnings before corporate and unallocated shared expenses, restructuring and impairment charges, other expense, interest expense, income taxes and noncontrolling interests. Segment operating income includes equity in the income of investees. Corporate and unallocated shared expenses principally consist of corporate functions, executive management and certain unallocated administrative support functions.

Equity in the income of investees included in segment operating income is as follows:

	2017	2016	2015
Media Networks	\$ 344	\$ 597	\$ 814
Parks and Resorts	(25)	(3)	—
Consumer Products & Interactive Media	1	—	—
Equity in the income of investees included in segment operating income	320	594	814
Vice Gain	—	332	—
Total equity in the income of investees	\$ 320	\$ 926	\$ 814

During fiscal 2016, the Company recognized its share of a net gain (Vice Gain) recorded by A+E, a joint venture owned 50% by the Company, in connection with A+E's acquisition of an interest in Vice. The Company's \$332 million share of the Vice Gain is recorded in "Equity in the income of investees" in the Consolidated Statement of Income but is not included in segment operating income. See Note 3 for further discussion of the transaction.

The following segment results include allocations of certain costs, including information technology, pension, legal and other shared services costs, which are allocated based on metrics designed to correlate with consumption. These allocations are agreed-upon amounts between the businesses and may differ from amounts that would be negotiated in arm's length transactions. In addition, all significant intersegment transactions have been eliminated except that Studio Entertainment revenues and operating income include an allocation of Consumer Products & Interactive Media revenues, which is meant to reflect royalties on revenue generated by Consumer Products & Interactive Media on merchandise based on intellectual property from certain Studio Entertainment films.

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	2017	2016	2015
<i>Revenues</i>			
Media Networks	\$ 23,510	\$ 23,689	\$ 23,264
Parks and Resorts	18,415	16,974	16,162
Studio Entertainment			
Third parties	7,887	8,701	6,838
Intersegment	492	740	528
	<u>8,379</u>	<u>9,441</u>	<u>7,366</u>
Consumer Products & Interactive Media			
Third parties	5,325	6,268	6,201
Intersegment	(492)	(740)	(528)
	<u>4,833</u>	<u>5,528</u>	<u>5,673</u>
Total consolidated revenues	\$ 55,137	\$ 55,632	\$ 52,465
<i>Segment operating income</i>			
Media Networks	\$ 6,902	\$ 7,755	\$ 7,793
Parks and Resorts	3,774	3,298	3,031
Studio Entertainment	2,355	2,703	1,973
Consumer Products & Interactive Media	1,744	1,965	1,884
Total segment operating income	\$ 14,775	\$ 15,721	\$ 14,681
<i>Reconciliation of segment operating income to income before income taxes</i>			
Segment operating income	\$ 14,775	\$ 15,721	\$ 14,681
Corporate and unallocated shared expenses	(582)	(640)	(643)
Restructuring and impairment charges	(98)	(156)	(53)
Other income, net	78	—	—
Interest expense, net	(385)	(260)	(117)
Vice Gain	—	332	—
Infinity Charge ⁽¹⁾	—	(129)	—
Income before income taxes	\$ 13,788	\$ 14,868	\$ 13,868
<i>Capital expenditures</i>			
Media Networks			
Cable Networks	\$ 75	\$ 86	\$ 127
Broadcasting	64	80	71
Parks and Resorts			
Domestic	2,375	2,180	1,457
International	816	2,035	2,147
Studio Entertainment	85	86	107
Consumer Products & Interactive Media	30	53	87
Corporate	178	253	269
Total capital expenditures	\$ 3,623	\$ 4,773	\$ 4,265

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	2017	2016	2015
<i>Depreciation expense</i>			
Media Networks	\$ 225	\$ 237	\$ 245
<i>Parks and Resorts</i>			
Domestic	1,336	1,273	1,169
International	660	445	345
Studio Entertainment	50	51	55
Consumer Products & Interactive Media	63	63	69
Corporate	252	251	249
Total depreciation expense	<u>\$ 2,586</u>	<u>\$ 2,320</u>	<u>\$ 2,132</u>
<i>Amortization of intangible assets</i>			
Media Networks	\$ 12	\$ 18	\$ 21
Parks and Resorts	3	3	3
Studio Entertainment	65	74	84
Consumer Products & Interactive Media	116	112	114
Total amortization of intangible assets	<u>\$ 196</u>	<u>\$ 207</u>	<u>\$ 222</u>
<i>Identifiable assets ⁽²⁾</i>			
Media Networks	\$ 32,475	\$ 32,706	
Parks and Resorts	29,492	28,275	
Studio Entertainment	16,307	15,359	
Consumer Products & Interactive Media	8,996	9,332	
Corporate ⁽³⁾	4,919	6,361	
Unallocated Goodwill ⁽⁴⁾	3,600	—	
Total consolidated assets	<u>\$ 95,789</u>	<u>\$ 92,033</u>	
<i>Supplemental revenue data</i>			
Affiliate fees	\$ 12,659	\$ 12,259	\$ 12,029
Advertising	8,237	8,649	8,499
Retail merchandise, food and beverage	6,433	6,116	5,986
Theme park admissions	6,502	5,900	5,483
<i>Revenues</i>			
United States and Canada	\$ 41,881	\$ 42,616	\$ 40,320
Europe	6,541	6,714	6,507
Asia Pacific	5,075	4,582	3,958
Latin America and Other	1,640	1,720	1,680
	<u>\$ 55,137</u>	<u>\$ 55,632</u>	<u>\$ 52,465</u>
<i>Segment operating income</i>			
United States and Canada	\$ 10,962	\$ 12,139	\$ 10,820
Europe	1,812	1,815	1,964
Asia Pacific	1,626	1,324	1,365
Latin America and Other	375	443	532
	<u>\$ 14,775</u>	<u>\$ 15,721</u>	<u>\$ 14,681</u>

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	2017	2016
<i>Long-lived assets</i> ⁽⁵⁾		
United States and Canada	\$ 61,215	\$ 56,388
Europe	8,208	8,125
Asia Pacific	8,196	8,228
Latin America and Other	155	210
	<u>\$ 77,774</u>	<u>\$ 72,951</u>

- (1) In fiscal 2016, the Company discontinued its Infinity console game business, which is reported in the Consumer Products & Interactive Media segment, and recorded a charge (Infinity Charge) primarily to write down inventory. The charge also included severance and other asset impairments. The charge was reported in "Cost of products" in the Consolidated Statement of Income.
- (2) Identifiable assets include amounts associated with equity method investments, goodwill and intangible assets. Equity method investments by segment are as follows:

	2017	2016
Media Networks	\$ 2,998	\$ 4,032
Parks and Resorts	70	22
Studio Entertainment	1	3
Consumer Products & Interactive Media	—	—
Corporate	18	25
	<u>\$ 3,087</u>	<u>\$ 4,082</u>

Goodwill and intangible assets by segment are as follows:

	2017	2016
Media Networks	\$ 18,346	\$ 18,153
Parks and Resorts	391	373
Studio Entertainment	8,360	8,450
Consumer Products & Interactive Media	7,594	7,653
Corporate	130	130
Unallocated Goodwill	3,600	—
	<u>\$ 38,421</u>	<u>\$ 34,759</u>

- (3) Primarily fixed assets and cash and cash equivalents.
- (4) Unallocated Goodwill relates to the BAMTech acquisition (see Note 3 for further discussion of the transaction).
- (5) Long-lived assets are total assets less the following: current assets, long-term receivables, deferred taxes, financial investments and derivatives.

2 *Summary of Significant Accounting Policies*

Principles of Consolidation

The consolidated financial statements of the Company include the accounts of The Walt Disney Company and its majority-owned and controlled subsidiaries. Intercompany accounts and transactions have been eliminated in consolidation.

The Company enters into relationships or investments with other entities that may be a variable interest entity (VIE). A VIE is consolidated in the financial statements if the Company has the power to direct activities that most significantly impact the economic performance of the VIE and has the obligation to absorb losses or the right to receive benefits from the VIE that could potentially be significant (as defined by ASC 810-10-25-38) to the VIE. Hong Kong Disneyland Resort and Shanghai Disney Resort (collectively the Asia Theme Parks) are VIEs. Company subsidiaries (the Management Companies) have management agreements with the Asia Theme Parks, which provide the Management Companies, subject to certain protective rights of joint venture partners, with the ability to direct the day-to-day operating activities and the development of business strategies that we believe most significantly impact the economic performance of the Asia Theme Parks. In addition, the

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Management Companies receive management fees under these arrangements that we believe could be significant to the Asia Theme Parks. Therefore, the Company has consolidated the Asia Theme Parks in its financial statements.

Reporting Period

The Company's fiscal year ends on the Saturday closest to September 30 and consists of fifty-two weeks with the exception that approximately every six years, we have a fifty-three week year. When a fifty-three week year occurs, the Company reports the additional week in the fourth quarter. Fiscal 2017 and 2016 were fifty-two week years. Fiscal 2015 was a fifty-three week year.

Reclassifications

Certain reclassifications have been made in the fiscal 2016 and fiscal 2015 financial statements and notes to conform to the fiscal 2017 presentation.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and footnotes thereto. Actual results may differ from those estimates.

Revenues and Costs from Services and Products

The Company generates revenue from the sale of both services and tangible products and revenues and operating costs are classified under these two categories in the Consolidated Statements of Income. Certain costs related to both the sale of services and tangible products are not specifically allocated between the service or tangible product revenue streams but are instead attributed to the principal revenue stream. The cost of services and tangible products exclude depreciation and amortization.

Significant service revenues include:

- Affiliate fees
- Advertising revenues
- Revenue from the licensing and distribution of film and television properties
- Admissions to our theme parks, charges for room nights at hotels and sales of cruise vacation packages
- Licensing of intellectual property for use on consumer merchandise, published materials and in multi-platform games

Significant operating costs related to the sale of services include:

- Amortization of programming, production, participations and residuals costs
- Distribution costs
- Operating labor
- Facilities and infrastructure costs

Significant tangible product revenues include:

- The sale of food, beverage and merchandise at our retail locations
- The sale of DVDs, Blu-ray discs and video game discs and accessories
- The sale of books, comic books and magazines

Significant operating costs related to the sale of tangible products include:

- Costs of goods sold
- Amortization of programming, production, participations and residuals costs
- Distribution costs
- Operating labor
- Retail occupancy costs
- Game development costs

Revenue Recognition

Television advertising revenues are recognized when commercials are aired. Affiliate fee revenue is recognized as services are provided based on per subscriber rates set out in agreements with Multi-channel Video Programming Distributors (MVPD) and the number of MVPD subscribers.

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Revenues from advance theme park ticket sales are recognized when the tickets are used. Revenues from annual pass sales are recognized ratably over the period for which the pass is available for use.

Revenues from the theatrical distribution of motion pictures are recognized when motion pictures are exhibited. Revenues from home entertainment sales, net of anticipated returns and customer incentives, are recognized on the later of the delivery date or the date that the product can be sold by retailers. Revenues from the licensing of feature films and television programming are recorded when the content is available for telecast by the licensee and when certain other conditions are met. Revenues from the sale of electronic formats of feature films and television programming are recognized when the product is received by the consumer.

Merchandise licensing advances and guarantee royalty payments are recognized based on the contractual royalty rate when the licensed product is sold by the licensee. Non-refundable advances and minimum guarantee royalty payments in excess of royalties earned are generally recognized as revenue at the end of the contract period.

Revenues from our branded online and mobile operations are recognized as services are rendered. Advertising revenues at our internet operations or associated with the distribution of our video content online are recognized when advertisements are delivered online.

Taxes collected from customers and remitted to governmental authorities are presented in the Consolidated Statements of Income on a net basis.

Allowance for Doubtful Accounts

The Company maintains an allowance for doubtful accounts to reserve for potentially uncollectible receivables. The allowance for doubtful accounts is estimated based on our analysis of trends in overall receivables aging, specific identification of certain receivables that are at risk of not being paid, past collection experience and current economic trends.

Advertising Expense

Advertising costs are expensed as incurred. Advertising expense for fiscal years 2017, 2016 and 2015 was \$2.6 billion, \$2.9 billion and \$2.6 billion, respectively.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and marketable securities with original maturities of three months or less.

Cash and cash equivalents subject to contractual restrictions and not readily available are classified as restricted cash. The Company's restricted cash balances are primarily made up of cash posted as collateral for certain derivative instruments.

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported in the Consolidated Balance Sheet to the total of the amounts in the Consolidated Statement of Cash Flows.

	September 30, 2017	October 1, 2016	October 3, 2015
Cash and cash equivalents	\$ 4,017	\$ 4,610	\$ 4,269
Restricted cash included in:			
Other current assets	26	96	250
Other assets	21	54	206
Total cash, cash equivalents and restricted cash in the statement of cash flows	\$ 4,064	\$ 4,760	\$ 4,725

Investments

Debt securities that the Company has the positive intent and ability to hold to maturity are classified as "held-to-maturity" and reported at amortized cost. Debt securities not classified as held-to-maturity and marketable equity securities are considered "available-for-sale" and recorded at fair value with unrealized gains and losses included in accumulated other comprehensive income/(loss) (AOCI). All other equity securities are accounted for using either the cost method or the equity method.

The Company regularly reviews its investments to determine whether a decline in fair value below the cost basis is other-than-temporary. If the decline in fair value is determined to be other-than-temporary, the cost basis of the investment is written down to fair value.

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Translation Policy

The U.S. dollar is the functional currency for the majority of our international operations. Significant businesses where the local currency is the functional currency include the Asia Theme Parks, Disneyland Paris and international locations of The Disney Stores.

For U.S. dollar functional currency locations, foreign currency assets and liabilities are remeasured into U.S. dollars at end-of-period exchange rates, except for non-monetary balance sheet accounts, which are remeasured at historical exchange rates. Revenue and expenses are remeasured at average exchange rates in effect during each period, except for those expenses related to the non-monetary balance sheet amounts, which are remeasured at historical exchange rates. Gains or losses from foreign currency remeasurement are included in income.

For local currency functional locations, assets and liabilities are translated at end-of-period rates while revenues and expenses are translated at average rates in effect during the period. Equity is translated at historical rates and the resulting cumulative translation adjustments are included as a component of AOCI.

Inventories

Inventory primarily includes vacation timeshare units, merchandise, food, materials and supplies. Carrying amounts of vacation ownership units are recorded at the lower of cost or net realizable value. Carrying amounts of merchandise, food, materials and supplies inventories are generally determined on a moving average cost basis and are recorded at the lower of cost or net realizable value.

Film and Television Costs

Film and television costs include capitalizable production costs, production overhead, interest, development costs and acquired production costs and are stated at the lower of cost, less accumulated amortization, or fair value. Acquired programming costs for the Company's cable and broadcast television networks are stated at the lower of cost, less accumulated amortization, or net realizable value. Acquired television broadcast program licenses and rights are recorded when the license period begins and the program is available for use. Marketing, distribution and general and administrative costs are expensed as incurred.

Film and television production, participation and residual costs are expensed over the applicable product life cycle based upon the ratio of the current period's revenues to estimated remaining total revenues (Ultimate Revenues) for each production. For film productions, Ultimate Revenues include revenues from all sources that will be earned within ten years from the date of the initial theatrical release. For television series, Ultimate Revenues include revenues that will be earned within ten years from delivery of the first episode, or if still in production, five years from delivery of the most recent episode, if later. For acquired film libraries, remaining revenues include amounts to be earned for up to twenty years from the date of acquisition. Costs of film and television productions are subject to regular recoverability assessments, which compare the estimated fair values with the unamortized costs. The Company bases these fair value measurements on the Company's assumptions about how market participants would price the assets at the balance sheet date, which may be different than the amounts ultimately realized in future periods. The amount by which the unamortized costs of film and television productions exceed their estimated fair values is written off. Film development costs for projects that have been abandoned. Projects that have not been set for production within three years are also written off unless management has committed to a plan to proceed with the project and is actively working on and funding the project.

The costs of television broadcast rights for acquired series, movies and other programs are expensed based on the number of times the program is expected to be aired or on a straight-line basis over the useful life, as appropriate. Rights costs for multi-year sports programming arrangements are amortized during the applicable seasons based on the estimated relative value of each year in the arrangement. The estimated value of each year is based on our projections of revenues over the contract period, which include advertising revenue and an allocation of affiliate revenue. If the annual contractual payments related to each season approximate each season's estimated relative value, we expense the related contractual payments during the applicable season. Individual programs are written off when there are no plans to air or sublicense the program.

The net realizable values of network television broadcast program licenses and rights are reviewed for recoverability using a daypart methodology. A daypart is defined as an aggregation of programs broadcast during a particular time of day or programs of a similar type. The Company's dayparts are: primetime, daytime, late night, news and sports (includes broadcast and cable networks). The net realizable values of other cable programming assets are reviewed on an aggregated basis for each cable network.

Internal-Use Software Costs

The Company expenses costs incurred in the preliminary project stage of developing or acquiring internal use software, such as research and feasibility studies as well as costs incurred in the post-implementation/operational stage, such as maintenance and training. Capitalization of software development costs occurs only after the preliminary-project stage is

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complete, management authorizes the project and it is probable that the project will be completed and the software will be used for the function intended. As of September 30, 2017 and October 1, 2016, capitalized software costs, net of accumulated depreciation, totaled \$710 million and \$714 million, respectively. The capitalized costs are amortized on a straight-line basis over the estimated useful life of the software, ranging from 3 - 10 years.

Software Product Development Costs

Software product development costs incurred prior to reaching technological feasibility are expensed. We have determined that technological feasibility of our video game software is generally not established until substantially all product development is complete.

Parks, Resorts and Other Property

Parks, resorts and other property are carried at historical cost. Depreciation is computed on the straight-line method over estimated useful lives as follows:

Attractions	25 – 40 years
Buildings and improvements	20 – 40 years
Leasehold improvements	Life of lease or asset life if less
Land improvements	20 – 40 years
Furniture, fixtures and equipment	3 – 25 years

Goodwill, Other Intangible Assets and Long-Lived Assets

The Company is required to test goodwill and other indefinite-lived intangible assets for impairment on an annual basis and if current events or circumstances require, on an interim basis. Goodwill is allocated to various reporting units, which are an operating segment or one level below the operating segment. The Company compares the fair value of each reporting unit to its carrying amount, and to the extent the carrying amount exceeds the fair value, an impairment of goodwill is recognized for the excess up to the amount of goodwill allocated to the reporting unit.

To determine the fair value of our reporting units, we generally use a present value technique (discounted cash flows) corroborated by market multiples when available and as appropriate. We apply what we believe to be the most appropriate valuation methodology for each of our reporting units. We include in the projected cash flows an estimate of the revenue we believe the reporting unit would receive if the intellectual property developed by the reporting unit that is being used by other reporting units was licensed to an unrelated third party at its fair market value. These amounts are not necessarily the same as those included in segment operating results.

In times of adverse economic conditions in the global economy, the Company's long-term cash flow projections are subject to a greater degree of uncertainty than usual. If we had established different reporting units or utilized different valuation methodologies or assumptions, the impairment test results could differ, and we could be required to record impairment charges.

The Company is required to compare the fair values of other indefinite-lived intangible assets to their carrying amounts. If the carrying amount of an indefinite-lived intangible asset exceeds its fair value, an impairment loss is recognized for the excess. Fair values of other indefinite-lived intangible assets are determined based on discounted cash flows or appraised values, as appropriate. The Company has determined that there are currently no legal, competitive, economic or other factors that materially limit the useful life of our FCC licenses and trademarks.

Amortizable intangible assets are generally amortized on a straight-line basis over periods up to 40 years. The costs to periodically renew our intangible assets are expensed as incurred.

The Company tests long-lived assets, including amortizable intangible assets, for impairment whenever events or changes in circumstances (triggering events) indicate that the carrying amount may not be recoverable. Once a triggering event has occurred, the impairment test employed is based on whether the intent is to hold the asset for continued use or to hold the asset for sale. The impairment test for assets held for use requires a comparison of cash flows expected to be generated over the useful life of an asset group to the carrying value of the asset group. An asset group is established by identifying the lowest level of cash flows generated by a group of assets that are largely independent of the cash flows of other assets and could include assets used across multiple businesses or segments. If the carrying value of an asset group exceeds the estimated undiscounted future cash flows, an impairment would be measured as the difference between the fair value of the group's long-lived assets and the carrying value of the group's long-lived assets. The impairment is allocated to the long-lived assets of the group on a pro rata basis using the relative carrying amounts, but only to the extent the carrying value of each asset is above its fair value. For assets held for sale, to the extent the carrying value is greater than the asset's fair value less costs to sell, an impairment loss is recognized for the difference.

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The Company tested its goodwill and other indefinite-lived intangible assets, long-lived assets and investments for impairment and recorded non-cash impairment charges of \$22 million, \$7 million and \$10 million in fiscal years 2017, 2016 and 2015, respectively. These impairment charges were recorded in “Restructuring and impairment charges” in the Consolidated Statements of Income.

The Company expects its aggregate annual amortization expense for existing amortizable intangible assets for fiscal years 2018 through 2022 to be as follows:

2018	\$	258
2019		246
2020		220
2021		216
2022		214

Risk Management Contracts

In the normal course of business, the Company employs a variety of financial instruments (derivatives) including interest rate and cross-currency swap agreements and forward and option contracts to manage its exposure to fluctuations in interest rates, foreign currency exchange rates and commodity prices.

The Company formally documents all relationships between hedges and hedged items as well as its risk management objectives and strategies for undertaking various hedge transactions. The Company primarily enters into two types of derivatives: hedges of fair value exposure and hedges of cash flow exposure. Hedges of fair value exposure are entered into in order to hedge the fair value of a recognized asset, liability, or a firm commitment. Hedges of cash flow exposure are entered into in order to hedge a forecasted transaction (e.g. forecasted revenue) or the variability of cash flows to be paid or received, related to a recognized liability or asset (e.g. floating rate debt).

The Company designates and assigns the derivatives as hedges of forecasted transactions, specific assets or specific liabilities. When hedged assets or liabilities are sold or extinguished or the forecasted transactions being hedged occur or are no longer expected to occur, the Company recognizes the gain or loss on the designated derivatives.

The Company’s hedge positions are measured at fair value on the balance sheet. Realized gains and losses from hedges are classified in the income statement consistent with the accounting treatment of the items being hedged. The Company accrues the differential for interest rate swaps to be paid or received under the agreements as interest rates change as adjustments to interest expense over the lives of the swaps. Gains and losses on the termination of effective swap agreements, prior to their original maturity, are deferred and amortized to interest expense over the remaining term of the underlying hedged transactions.

The Company enters into derivatives that are not designated as hedges and do not qualify for hedge accounting. These derivatives are intended to offset certain economic exposures of the Company and are carried at fair value with changes in value recorded in earnings. Cash flows from hedging activities are classified in the Consolidated Statements of Cash Flows under the same category as the cash flows from the related assets, liabilities or forecasted transactions (see Notes 8 and 16).

Income Taxes

Deferred income tax assets and liabilities are recorded with respect to temporary differences in the accounting treatment of items for financial reporting purposes and for income tax purposes. Where, based on the weight of available evidence, it is more likely than not that some amount of recorded deferred tax assets will not be realized, a valuation allowance is established for the amount that, in management’s judgment, is sufficient to reduce the deferred tax asset to an amount that is more likely than not to be realized.

A tax position must meet a minimum probability threshold before a financial statement benefit is recognized. The minimum threshold is defined as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement.

Earnings Per Share

The Company presents both basic and diluted earnings per share (EPS) amounts. Basic EPS is calculated by dividing net income attributable to Disney by the weighted average number of common shares outstanding during the year. Diluted EPS is based upon the weighted average number of common and common equivalent shares outstanding during the year, which is calculated using the treasury-stock method for equity-based awards (Awards). Common equivalent shares are excluded from

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the computation in periods for which they have an anti-dilutive effect. Stock options for which the exercise price exceeds the average market price over the period are anti-dilutive and, accordingly, are excluded from the calculation.

A reconciliation of the weighted average number of common and common equivalent shares outstanding and the number of Awards excluded from the diluted earnings per share calculation, as they were anti-dilutive, are as follows:

	2017	2016	2015
Weighted average number of common and common equivalent shares outstanding (basic)	1,568	1,629	1,694
Weighted average dilutive impact of Awards	10	10	15
Weighted average number of common and common equivalent shares outstanding (diluted)	1,578	1,639	1,709
Awards excluded from diluted earnings per share	10	6	3

3 *Acquisitions*

BAMTech

On September 25, 2017, the Company acquired an additional 42% interest in BAMTech, a streaming technology and content delivery business, from an affiliate of Major League Baseball (MLB) for \$1.6 billion due in January 2018. The acquisition increased our interest from 33% to 75% , and as a result, we began consolidating BAMTech. The Company paid \$1.0 billion for its original 33% interest in BAMTech. The acquisition supports the Company's strategy to launch DTC video streaming services.

Upon consolidation, the Company recognized a non-cash gain of \$255 million (\$162 million after tax) as a result of increasing the carrying value of the Company's original 33% interest to \$1.2 billion , its estimated fair value implied by the acquisition price of our additional 42% interest. The gain was recorded in "Other income, net" in the fiscal 2017 Consolidated Statement of Income.

The fair value of BAMTech (purchase price) is estimated to be \$3.9 billion and represents the sum of (i) the \$1.6 billion payment for our newly acquired 42% interest, (ii) the \$1.2 billion estimated fair value of the Company's original 33% interest, and (iii) the \$1.1 billion estimated fair value of the remaining 25% noncontrolling interests.

Based on a preliminary purchase price allocation, \$3.6 billion was allocated to goodwill (approximately half of which is deductible for tax purposes) with the remainder primarily allocated to identifiable intangible assets. Goodwill reflects the synergies expected from rationalization of the Company's current digital distribution services, enhanced personalization of content and advertising from access to DTC user data, and the ability to leverage BAMTech's platform expertise for the Company's DTC services. Goodwill also includes technical knowhow associated with BAMTech's assembled workforce. We are in the process of finalizing the valuation of the acquired assets, assumed liabilities, and noncontrolling interests.

BAMTech's noncontrolling interest holders, MLB and the National Hockey League (NHL), have the right to sell their shares to the Company in the future. MLB can generally sell their shares to the Company starting five years from and ending ten years after the acquisition date at the greater of fair value or a guaranteed floor value (\$563 million accreting at 8% annually for eight years). The NHL can sell their shares to the Company in fiscal 2020 for \$300 million or in fiscal 2021 for \$350 million .

Based on the terms of the noncontrolling interests, their acquisition date fair value of \$1.1 billion was recorded as "Redeemable noncontrolling interests" in the Company's Consolidated Balance Sheet. The fair values of the noncontrolling interests were calculated using an option pricing model. The MLB noncontrolling interest fair value generally reflects the net present value of MLB's guaranteed floor value, while the NHL noncontrolling interest reflects their share of the \$3.9 billion BAMTech value.

The Company has the right to purchase MLB's interest in BAMTech starting five years from and ending ten years after the acquisition date at the greater of fair value or the guaranteed floor value. The Company has the right to acquire the NHL interest in fiscal years 2020 and 2021 for \$500 million .

As a result of the MLB and NHL sale rights, the noncontrolling interests will generally not be allocated BAMTech losses. Prospectively, the Company will record the noncontrolling interests at the greater of (i) their acquisition date fair value adjusted for their share (if any) of earnings, losses, or dividends or (ii) an accreted value from the date of the acquisition to the earliest redemption date. The accretion of the MLB interest to the earliest redemption value in five years will be recorded using an

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interest method. As of September 30, 2017, the redeemable noncontrolling interest subject to accretion would have had a redemption amount of \$563 million if it were currently redeemable. Adjustments to the carrying amount of redeemable noncontrolling interests will increase or decrease income available to Company shareholders through an adjustment to “Net income attributable to noncontrolling interests” on the Consolidated Statement of Income.

The Company is negotiating to provide the noncontrolling interest holder in ESPN a portion of the Company’s share of the BAMTech DTC sports business at a price that is consistent with the amount the Company invested. If such transaction is finalized, their investment would be recorded as a noncontrolling interest transaction when consummated.

The revenue and costs of BAMTech included in the Company’s Consolidated Statement of Income for fiscal 2017 were not material.

Vice

Vice is a media company targeting a millennial audience through news and pop culture content and creative brand integration. During fiscal 2016, A+E acquired an 8% interest in Vice in exchange for a 49.9% interest in one of A+E’s cable channels, H2, which has been rebranded as Viceland and programmed with Vice content. As a result of this exchange, A+E recognized a net non-cash gain based on the estimated fair value of H2. The Company’s \$332 million share of the Vice Gain was recorded in “Equity in the income of investees” in the Consolidated Statement of Income in fiscal 2016. At September 30, 2017, A+E had an 18% interest in Vice.

During fiscal 2016, the Company acquired a direct interest in Vice for \$400 million of cash, and at September 30, 2017 owned a 10% interest.

The Company accounts for its interest in Vice as an equity method investment.

Hulu

At the end of fiscal 2015, the Company had a 33% interest in Hulu, a joint venture owned one-third each by the Company, Twenty-First Century Fox, Inc. (Fox) and Comcast Corporation. In August 2016, Time Warner, Inc. (TW) acquired a 10% interest in the venture from Hulu for \$583 million diluting the Company’s ownership interest to 30%. For not more than 36 months from August 2016, TW may put its shares to Hulu or Hulu may call the shares from TW under certain limited circumstances arising from regulatory review. The Company and Fox have agreed to make a capital contribution for up to approximately \$300 million each if required to fund the repurchase of shares from TW. The August 2016 transaction resulted in a deemed sale by the Company of a portion of its interest in Hulu at a gain of approximately \$175 million. The Company expects to recognize the gain if and when the put and call options expire.

In addition, the Company has guaranteed \$113 million of Hulu’s \$338 million term loan, which is due in August 2022.

The Company accounts for its interest in Hulu as an equity method investment.

Goodwill

The changes in the carrying amount of goodwill for the years ended September 30, 2017 and October 1, 2016 are as follows:

	Media Networks	Parks and Resorts	Studio Entertainment	Consumer Products & Interactive Media	Unallocated ⁽¹⁾	Total
Balance at Oct. 3, 2015	\$ 16,354	\$ 291	\$ 6,836	\$ 4,345	\$ —	\$ 27,826
Acquisitions	1	—	1	—	—	2
Dispositions	—	—	—	—	—	—
Other, net	(10)	—	(7)	(1)	—	(18)
Balance at Oct. 1, 2016	\$ 16,345	\$ 291	\$ 6,830	\$ 4,344	\$ —	\$ 27,810
Acquisitions	—	—	—	—	3,600	3,600
Dispositions	—	—	—	—	—	—
Other, net	(20)	—	(13)	49	—	16
Balance at Sept. 30, 2017	\$ 16,325	\$ 291	\$ 6,817	\$ 4,393	\$ 3,600	\$ 31,426

⁽¹⁾ Goodwill will be allocated to the segments once the BAMTech purchase price allocation is finalized.

4 Other Income, net

Other income, net is as follows:

	2017	2016	2015
Gain related to the acquisition of BAMTech	\$ 255	\$ —	\$ —
Settlement of litigation	(177)	—	—
Other income, net	<u>\$ 78</u>	<u>\$ —</u>	<u>\$ —</u>

Gain related to the acquisition of BAMTech

In fiscal 2017, the Company recorded a non-cash net gain of \$255 million in connection with the acquisition of a controlling interest in BAMTech (see Note 3).

Settlement of litigation

In fiscal 2017, the Company recorded a charge of \$177 million, net of committed insurance recoveries, in connection with the settlement of a litigation matter.

5 Investments

Investments consist of the following:

	September 30, 2017	October 1, 2016
Investments, equity basis ⁽¹⁾	\$ 3,087	\$ 4,082
Investments, other	115	198
	<u>\$ 3,202</u>	<u>\$ 4,280</u>

⁽¹⁾ Prior to September 25, 2017, BAMTech was accounted for under the equity basis of accounting. At September 25, 2017, the Company acquired an additional interest and now consolidates BAMTech (see Note 3 for further discussion of the BAMTech transaction). Accordingly, equity basis investments decreased by approximately \$1 billion.

Investments, Equity Basis

The Company's significant equity investments primarily consist of media and parks and resorts investments and include A + E (50% ownership), CTV Specialty Television, Inc. (30% ownership), Hulu (30% ownership), Seven TV (20% ownership), Vice (19% effective ownership including A+E ownership) and Villages Nature (50% ownership). A summary of combined financial information for equity investments is as follows:

	2017	2016	2015
<i>Results of Operations:</i>			
Revenues	\$ 8,122	\$ 7,416	\$ 6,561
Net income	857	1,855	1,912

	September 30, 2017	October 1, 2016	October 3, 2015
<i>Balance Sheet</i>			
Current assets	\$ 4,623	\$ 4,801	\$ 3,676
Non-current assets	10,047	8,906	6,429
	<u>\$ 14,670</u>	<u>\$ 13,707</u>	<u>\$ 10,105</u>
Current liabilities	\$ 2,852	\$ 2,018	\$ 1,614
Non-current liabilities	5,056	4,531	4,128
Redeemable preferred stock	1,123	583	—
Shareholders' equity	5,639	6,575	4,363
	<u>\$ 14,670</u>	<u>\$ 13,707</u>	<u>\$ 10,105</u>

As of September 30, 2017, the book value of the Company's equity method investments exceeded our share of the book value of the investees' underlying net assets by approximately \$0.7 billion, which represents amortizable intangible assets and goodwill arising from acquisitions.

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The Company enters into transactions in the ordinary course of business with our equity investees, primarily related to the licensing of television and film programming. Revenues from these transactions were \$0.5 billion, \$0.5 billion and \$0.4 billion in fiscal 2017, 2016 and 2015, respectively. The Company defers a portion of its profits from transactions with investees until the investee recognizes third-party revenue from the exploitation of the rights. The portion that is deferred reflects our ownership interest in the investee.

Investments, Other

As of September 30, 2017 and October 1, 2016, the Company held \$36 million and \$85 million, respectively, of securities classified as available-for-sale and \$79 million and \$91 million, respectively, of non-publicly traded cost-method investments. As of September 30, 2017, the Company held no significant investments in leveraged leases. As of October 1, 2016, the Company held \$22 million of investments in leveraged leases.

In fiscal 2017 and 2015, the Company had realized gains of \$15 million and \$31 million, respectively, on available-for-sale securities. In fiscal 2016, the Company had no significant realized gains or losses on available-for-sale securities.

At September 30, 2017 and October 1, 2016, the Company held available-for-sale investments in unrecognized gain positions totaling \$18 million and \$49 million, respectively, and no investments in significant unrecognized loss positions.

In fiscal years 2017, 2016 and 2015, the Company had realized gains of \$7 million, \$23 million and \$11 million, respectively, on non-publicly traded cost-method investments.

In fiscal years 2017, 2016 and 2015, the Company recorded non-cash charges of \$8 million, \$44 million and \$14 million, respectively, to reflect other-than-temporary losses in value of investments.

Realized gains and losses on available-for-sale and non-publicly traded cost-method investments are reported in "Interest expense, net" in the Consolidated Statements of Income.

6 International Theme Parks

The Company has a 47% ownership interest in the operations of Hong Kong Disneyland Resort and a 43% ownership interest in the operations of Shanghai Disney Resort (together, the Asia Theme Parks), which are both VIEs consolidated in the Company's financial statements. See Note 2 for the Company's policy on consolidating VIEs. Disneyland Paris was also a consolidated VIE until the Company acquired 100% ownership of Disneyland Paris in June 2017. Given our 100% ownership, the Company will continue to consolidate Disneyland Paris' financial results. The Asia Theme Parks and Disneyland Paris are collectively referred to as the International Theme Parks.

The following table summarizes the carrying amounts of the International Theme Parks' assets and liabilities included in the Company's consolidated balance sheets as of September 30, 2017 and October 1, 2016:

	September 30, 2017	October 1, 2016
Cash and cash equivalents	\$ 843	\$ 1,008
Other current assets	376	331
Total current assets	1,219	1,339
Parks, resorts and other property	9,403	9,270
Other assets	111	88
Total assets ⁽¹⁾	\$ 10,733	\$ 10,697
Current liabilities	\$ 1,163	\$ 1,499
Borrowings - long-term	1,145	1,087
Other long-term liabilities	371	256
Total liabilities ⁽¹⁾	\$ 2,679	\$ 2,842

⁽¹⁾ The total assets of the Asia Theme Parks were \$8.1 billion and \$8.2 billion at September 30, 2017 and October 1, 2016, respectively, and primarily consist of parks, resorts and other property of \$7.3 billion at both September 30, 2017 and October 1, 2016. The total liabilities of the Asia Theme Parks were \$2.1 billion and \$2.2 billion at September 30, 2017 and October 1, 2016, respectively.

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The following table summarizes the International Theme Parks' revenues and costs and expenses included in the Company's consolidated statements of income as of September 30, 2017 :

	September 30, 2017
Revenues	\$ 3,318
Costs and expenses	(3,265)
Equity in the loss of investees	(25)

International Theme Parks' royalty and management fees of \$166 million for fiscal 2017 are eliminated in consolidation but are considered in calculating earnings allocated to noncontrolling interests.

International Theme Parks' cash flows included in the Company's fiscal 2017 consolidated cash flow statement were \$757 million generated from operating activities, \$840 million used in investing activities and \$225 million used in financing activities. The majority of cash flows used in investing activities were for the Asia Theme Parks.

Disneyland Paris

In February 2017, the Company increased its effective ownership percentage in Disneyland Paris from 81% to 88% by exchanging 1.36 million of the Company's common shares for 70.5 million outstanding shares of Euro Disney S.C.A. (EDSCA), a publicly-traded French entity, which has an 82% interest in the Disneyland Paris operating company. The transaction was valued at €141 million (\$150 million) based on the purchase price of €2 per share.

In the third quarter of fiscal 2017, the Company acquired the remaining outstanding shares of EDSCA at €2 per share, a total cost of €224 million (\$250 million), and EDSCA was delisted from Euronext Paris.

During calendar 2015, Disneyland Paris completed a recapitalization, which included an equity rights offering and a conversion of Company loans to Disneyland Paris into equity. In addition, the Company completed a mandatory tender offer to the other Disneyland Paris shareholders. These transactions resulted in an increase from 51% to 81% effective ownership interest in Disneyland Paris.

Hong Kong Disneyland Resort

The Government of the Hong Kong Special Administrative Region (HKSAR) and the Company have 53% and 47% equity interests in Hong Kong Disneyland Resort, respectively.

As part of financing the construction of a third hotel, which opened April 30, 2017, HKSAR converted \$219 million of a loan to equity during fiscal 2016 and 2015, leaving a balance on the loan at September 30, 2017 of HK \$0.4 billion (\$46 million) (see Note 8 for further details of this loan). In addition, the Company and HKSAR have provided loans with outstanding balances of \$138 million and \$93 million , respectively, which bear interest at a rate of three month HIBOR plus 2% and mature in September 2025. The Company's loan is eliminated in consolidation.

In August 2017, the Company and HKSAR entered into an agreement for a multi-year expansion of Hong Kong Disneyland that will add a number of new guest offerings, including two new themed areas, by 2023. Under the terms of the agreement, the HK \$10.9 billion (\$1.4 billion) expansion will be funded by equity contributions made by the Company and HKSAR on an equal basis.

HKSAR has the right to receive additional shares over time to the extent Hong Kong Disneyland Resort exceeds certain return on asset performance targets. The amount of additional shares HKSAR can receive is capped on both an annual and cumulative basis and could decrease the Company's equity interest by up to an additional 7 percentage points over a period no shorter than 15 years . Assuming HK \$10.9 billion is contributed in the expansion, the impact to the Company's equity interest would be limited to 4 percentage points.

The Company has a revolving credit facility HK \$2.1 billion (\$269 million), which bears interest at a rate of three month HIBOR plus 1.25% and matures in December 2023. There is no outstanding balance under the line of credit at September 30, 2017 .

The net impact to HKSAR and the Company's ownership shares of Hong Kong Disneyland Resort during fiscal 2017, 2016 and 2015 as a result of the above activities was not material.

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Shanghai Disney Resort

Shanghai Shendi (Group) Co., Ltd (Shendi) and the Company have 57% and 43% equity interests in Shanghai Disney Resort, respectively. A management company, in which the Company has a 70% interest and Shendi a 30% interest, is responsible for operating Shanghai Disney Resort.

The Company has provided Shanghai Disney Resort with term loans totaling \$782 million, bearing interest at rates up to 8% and maturing in 2036, with early repayment permitted. In addition, the Company has an outstanding balance of \$305 million due from Shanghai Disney Resort related to development costs, pre-opening expenses and royalties and management fees. The Company has also provided Shanghai Disney Resort with a \$157 million line of credit bearing interest at 8%. There is no outstanding balance under the line of credit at September 30, 2017. These balances are eliminated in consolidation.

Shendi has provided Shanghai Disney Resort with term loans totaling 6.7 billion yuan (approximately \$1.0 billion), bearing interest at rates up to 8% and maturing in 2036, with early repayment permitted. Shendi has also provided Shanghai Disney Resort with a 1.4 billion yuan (approximately \$205 million) line of credit bearing interest at 8%. There is no outstanding balance under the line of credit at September 30, 2017.

7 Film and Television Costs and Advances

Film and television costs and advances are as follows:

	<u>September 30, 2017</u>	<u>October 1, 2016</u>
Theatrical film costs		
Released, less amortization	\$ 1,658	\$ 1,677
Completed, not released	—	—
In-process	3,200	2,179
In development or pre-production	306	336
	<u>5,164</u>	<u>4,192</u>
Television costs		
Released, less amortization	1,152	1,015
Completed, not released	472	365
In-process	364	417
In development or pre-production	53	13
	<u>2,041</u>	<u>1,810</u>
Television programming rights and advances	<u>1,554</u>	<u>1,545</u>
	<u>8,759</u>	<u>7,547</u>
Less current portion	<u>1,278</u>	<u>1,208</u>
Non-current portion	<u>\$ 7,481</u>	<u>\$ 6,339</u>

Based on management's total gross revenue estimates as of September 30, 2017, approximately 76% of unamortized film and television costs for released productions (excluding amounts allocated to acquired film and television libraries) are expected to be amortized during the next three years. By the end of fiscal 2021, we will have reached on a cumulative basis, 80% amortization of the September 30, 2017 balance of unamortized film and television costs. Approximately \$1.0 billion of accrued participation and residual liabilities will be paid in fiscal year 2018. The Company expects to amortize, based on current estimates, approximately \$1.3 billion in capitalized film and television production costs during fiscal 2018.

At September 30, 2017, acquired film and television libraries have remaining unamortized costs of \$175 million, which are generally being amortized straight-line over a weighted-average remaining period of approximately 14 years.

8 Borrowings

The Company's borrowings at September 30, 2017 and October 1, 2016, including the impact of interest rate and cross-currency swaps, are summarized below:

			2017			
	2017	2016	Stated Interest Rate ⁽¹⁾	Pay Floating Interest rate and Cross-Currency Swaps ⁽²⁾	Effective Interest Rate ⁽³⁾	Swap Maturities
Commercial paper	\$ 2,772	\$ 1,521	—	\$ —	1.24%	
U.S. and European medium-term notes ⁽⁴⁾	19,721	16,827	2.73%	8,150	2.70%	2018-2027
BAMTech acquisition payable	1,581	—	1.27%	—	1.27%	
Capital Cities/ABC debt	105	107	8.75%	—	6.00%	
Foreign currency denominated debt	13	448	7.65%	—	7.65%	
Other ⁽⁵⁾	(46)	180		—		
	<u>24,146</u>	<u>19,083</u>	2.35%	<u>8,150</u>	2.46%	
Asia Theme Parks borrowings	1,145	1,087	1.24%	—	5.07%	
Total borrowings	<u>25,291</u>	<u>20,170</u>	2.30%	<u>8,150</u>	2.58%	
Less current portion	<u>6,172</u>	<u>3,687</u>	0.93%	<u>1,550</u>	1.44%	
Total long-term borrowings	<u>\$ 19,119</u>	<u>\$ 16,483</u>		<u>\$ 6,600</u>		

(1) The stated interest rate represents the weighted-average coupon rate for each category of borrowings. For floating rate borrowings, interest rates are the rates in effect at September 30, 2017; these rates are not necessarily an indication of future interest rates.

(2) Amounts represent notional values of interest rate and cross-currency swaps outstanding as of September 30, 2017.

(3) The effective interest rate includes the impact of existing and terminated interest rate and cross-currency swaps, purchase accounting adjustments and debt issuance premiums, discounts and costs.

(4) Includes net debt issuance premiums, discounts and costs totaling \$138 million and \$132 million at September 30, 2017 and October 1, 2016, respectively.

(5) Includes market value adjustments for debt with qualifying hedges, which reduce borrowings by \$73 million and increase borrowings by \$146 million at September 30, 2017 and October 1, 2016, respectively.

Commercial Paper

The Company has bank facilities with a syndicate of lenders to support commercial paper borrowings as follows:

	Committed Capacity	Capacity Used	Unused Capacity
Facility expiring March 2018	\$ 2,500	\$ —	\$ 2,500
Facility expiring March 2019	2,250	—	2,250
Facility expiring March 2021	2,250	—	2,250
Total	<u>\$ 7,000</u>	<u>\$ —</u>	<u>\$ 7,000</u>

All of the above bank facilities allow for borrowings at LIBOR-based rates plus a spread depending on the credit default swap spread applicable to the Company's debt, subject to a cap and floor that vary with the Company's debt rating assigned by Moody's Investors Service and Standard and Poor's. The spread above LIBOR can range from 0.23% to 1.63%. The Company also has the ability to issue up to \$800 million of letters of credit under the facility expiring in March 2019, which if utilized, reduces available borrowings under this facility. As of September 30, 2017, the Company has \$181 million of outstanding letters of credit, of which none were issued under this facility. The facilities specifically exclude certain entities, including the International Theme Parks, from any representations, covenants, or events of default and contain only one financial covenant, relating to interest coverage, which the Company met on September 30, 2017 by a significant margin.

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Commercial paper activity is as follows:

	Commercial paper with original maturities less than three months, net (1)	Commercial paper with original maturities greater than three months	Total
Balance at Oct. 3, 2015	\$ 2,330	\$ 100	\$ 2,430
Additions	—	4,794	4,794
Payments	(1,559)	(4,155)	(5,714)
Other Activity	6	5	11
Balance at Oct. 1, 2016	\$ 777	\$ 744	\$ 1,521
Additions	372	6,364	6,736
Payments	—	(5,489)	(5,489)
Other Activity	2	2	4
Balance at Sept. 30, 2017	\$ 1,151	\$ 1,621	\$ 2,772

(1) Borrowings and reductions of borrowings are reported net.

Shelf Registration Statement

The Company has a shelf registration statement in place, which allows the Company to issue various types of debt instruments, such as fixed or floating rate notes, U.S. dollar or foreign currency denominated notes, redeemable notes, global notes, and dual currency or other indexed notes. Issuances under the shelf registration will require the filing of a prospectus supplement identifying the amount and terms of the securities to be issued. Our ability to issue debt is subject to market conditions and other factors impacting our borrowing capacity.

U.S. Medium-Term Note Program

At September 30, 2017, the total debt outstanding under the U.S. medium-term note program was \$19.2 billion with maturities ranging from 1 to 76 years. The debt outstanding includes \$17.2 billion of fixed rate notes, which have stated interest rates that range from 0.88% to 7.55% and \$2.0 billion of floating rate notes that bear interest at U.S. LIBOR plus or minus a spread. At September 30, 2017, the effective rate on floating rate notes was 1.66%.

European Medium-Term Note Program

The Company has a European medium-term note program, which allows the Company to issue various types of debt instruments such as fixed or floating rate notes, U.S. dollar or foreign currency denominated notes, redeemable notes and index linked or dual currency notes. Capacity under the program is \$4.0 billion, subject to market conditions and other factors impacting our borrowing capacity. Capacity under the program replenishes as outstanding debt under the program is repaid. At September 30, 2017, the total debt outstanding under the program was \$496 million. The debt has a stated interest rate of 2.13% and matures in September 2022.

BAMTech Acquisition Payable

In September 2017, the Company acquired a 42% interest in BAMTech for \$1.6 billion due in January 2018 (see Note 3).

Capital Cities/ABC Debt

In connection with the Capital Cities/ABC, Inc. acquisition in 1996, the Company assumed debt previously issued by Capital Cities/ABC, Inc. At September 30, 2017, the outstanding balance was \$105 million, which includes unamortized fair value adjustments recorded in purchase accounting. The debt matures in 2021 and has a stated interest rate of 8.75%.

Foreign Currency Denominated Debt

The Company has short-term credit facilities of Indian rupee (INR) 10.8 billion (\$165 million), which bear interest at rates determined at the time of drawdown and expire in 2018. At September 30, 2017, the outstanding balance was INR 840 million (\$13 million), which bears interest at an average rate of 7.65%.

Asia Theme Parks Borrowings

As part of financing the construction of a third hotel at Hong Kong Disneyland Resort, HKSAR converted \$219 million of a loan to equity during fiscal 2016 and 2015, leaving a balance at September 30, 2017 of HK\$ 0.4 billion (\$46 million). The interest rate on this loan is subject to biannual revisions and determined based on the Hong Kong prime rate less 0.875%, but is capped at an annual rate of 7.625% until March 2022. After March 2022, the interest rate is capped at an annual rate of 8.50%. As of September 30, 2017, the rate on the loan was 4.13%. Debt service payments will be made depending on sufficient available funds. Repayment is required by September 30, 2022; however, early repayment is permitted.

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In addition, HKSAR provided Hong Kong Disneyland Resort with a loan facility totaling HK \$0.8 billion (\$104 million) that bears interest at a rate of three month HIBOR plus 2% and matures in 2025 ; however, earlier repayment is permitted. At September 30, 2017 , Hong Kong Disneyland Resort had borrowed HK \$0.7 billion (\$93 million) under the loan facility, which bears interest at a rate of 2.78% .

Shendi has provided Shanghai Disney Resort with term loans totaling 6.7 billion yuan (approximately \$1.0 billion) bearing interest at rates that increase to 8% and maturing in 2036; however, early repayment is permitted. Shendi has also provided Shanghai Disney Resort with a 1.4 billion yuan (approximately \$205 million) line of credit bearing interest at 8% . There is no outstanding balance under the line of credit at September 30, 2017 .

Credit facility for cruise ships

In October 2016, the Company entered into two credit facilities to finance two new cruise ships, which are expected to be delivered in 2021 and 2023. The financing may be used for up to 80% of the contract price of the cruise ships. Under the agreements, \$1.0 billion in financing is available beginning in April 2021 and \$1.1 billion is available beginning in April 2023. If utilized, the interest rates will be fixed at 3.48% and 3.74% , respectively, and payable semi-annually. The loans will be repaid in 24 equal installments over a 12-year period from the borrowing date. Early repayment is permitted subject to cancellation fees.

Subsequent Debt Issuance

On October 3, 2017, the Company issued Canadian \$1.3 billion (\$997 million) of fixed rate debt, which bears interest at 2.76% and matures in October 2024 . The Company also entered into pay-float interest rate and cross currency swaps that effectively convert the borrowing to variable rate U.S. dollar denominated borrowing indexed to LIBOR.

Total borrowings, excluding market value adjustments and debt issuance premiums, discounts and costs, have the following scheduled maturities:

	Before Asia Theme Parks Consolidation	Asia Theme Parks	Total
2018	\$ 6,169	\$ —	\$ 6,169
2019	2,757	59	2,816
2020	3,000	—	3,000
2021	2,105	—	2,105
2022	1,900	46	1,946
Thereafter	8,426	1,040	9,466
	<u>\$ 24,357</u>	<u>\$ 1,145</u>	<u>\$ 25,502</u>

The Company capitalizes interest on assets constructed for its parks and resorts and on certain film and television productions. In fiscal years 2017 , 2016 and 2015 , total interest capitalized was \$87 million , \$139 million and \$110 million , respectively. Interest expense, net of capitalized interest, for fiscal years 2017 , 2016 and 2015 was \$507 million , \$354 million and \$265 million , respectively.

9 *Income Taxes*

<i>Income Before Income Taxes</i>	2017	2016	2015
Domestic (including U.S. exports)	\$ 12,611	\$ 14,018	\$ 12,825
Foreign subsidiaries	1,177	850	1,043
	<u>\$ 13,788</u>	<u>\$ 14,868</u>	<u>\$ 13,868</u>

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	2017	2016	2015
<i>Income Tax Expense/(Benefit)</i>			
Current			
Federal	\$ 3,229	\$ 3,146	\$ 4,182
State	360	154	333
Foreign ⁽¹⁾	489	533	525
	<u>4,078</u>	<u>3,833</u>	<u>5,040</u>
Deferred			
Federal	370	1,172	82
State	5	100	(52)
Foreign	(31)	(27)	(54)
	<u>344</u>	<u>1,245</u>	<u>(24)</u>
	<u>\$ 4,422</u>	<u>\$ 5,078</u>	<u>\$ 5,016</u>

⁽¹⁾ Includes foreign withholding taxes

	September 30, 2017	October 1, 2016
<i>Components of Deferred Tax Assets and Liabilities</i>		
Deferred tax assets		
Accrued liabilities	\$ (2,422)	\$ (2,736)
Net operating losses and tax credit carryforwards	(1,705)	(1,567)
Other	(386)	(566)
Total deferred tax assets	<u>(4,513)</u>	<u>(4,869)</u>
Deferred tax liabilities		
Depreciable, amortizable and other property	5,692	5,682
Foreign subsidiaries	518	348
Licensing revenues	476	480
Other	422	295
Total deferred tax liabilities	<u>7,108</u>	<u>6,805</u>
Net deferred tax liability before valuation allowance	2,595	1,936
Valuation allowance	1,716	1,602
Net deferred tax liability	<u>\$ 4,311</u>	<u>\$ 3,538</u>

At September 30, 2017 and October 1, 2016, the valuation allowance primarily relates to \$1.3 billion and \$1.2 billion, respectively, of deferred tax assets for International Theme Park net operating losses primarily in France and Hong Kong, and to a lesser extent, China. The noncontrolling interest share of the net operating losses were \$0.2 billion and \$0.4 billion at September 30, 2017 and October 1, 2016, respectively. The International Theme Park net operating losses have an indefinite carryforward period in France and Hong Kong and a five-year carryforward period in China.

As of September 30, 2017, the Company had undistributed earnings of foreign subsidiaries of approximately \$4.7 billion for which deferred U.S. federal income taxes have not been provided. The Company intends to reinvest these earnings for the foreseeable future. If these amounts were distributed to the U.S., in the form of dividends or otherwise, the Company would be subject to additional U.S. income taxes. Assuming these foreign earnings were repatriated under laws and rates applicable at year end fiscal 2017, the incremental federal tax applicable to the earnings would be approximately \$1.2 billion.

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

	2017	2016	2015
Federal income tax rate	35.0 %	35.0 %	35.0 %
State taxes, net of federal benefit	1.7	1.8	1.9
Domestic production activity deduction	(2.1)	(1.6)	(1.9)
Earnings in jurisdictions taxed at rates different from the statutory U.S. federal rate	(1.6)	(1.1)	(1.5)
Disneyland Paris recapitalization ⁽¹⁾	—	—	2.9
Other, including tax reserves and related interest ⁽²⁾	(0.9)	0.1	(0.2)
	<u>32.1 %</u>	<u>34.2 %</u>	<u>36.2 %</u>

⁽¹⁾ At the beginning of fiscal 2015, the Company had a \$399 million deferred income tax asset on the difference between the Company's tax basis in its investment in Disneyland Paris and the Company's financial statement carrying value of Disneyland Paris. As a result of the Disneyland Paris recapitalization and the increase in the Company's ownership interest (see Note 6 for further discussion of this transaction), the deferred tax asset was written off to income tax expense in fiscal 2015.

⁽²⁾ In fiscal 2017, the Company adopted new accounting guidance, which resulted in \$125 million of tax benefits related to employee share-based awards being credited to "Income taxes" in the Consolidated Statement of Income (see Note 18).

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

	2017	2016	2015
Balance at the beginning of the year	\$ 844	\$ 912	\$ 803
Increases for current year tax positions	61	71	98
Increases for prior year tax positions	13	142	280
Decreases in prior year tax positions	(55)	(158)	(193)
Settlements with taxing authorities	(31)	(123)	(76)
Balance at the end of the year	<u>\$ 832</u>	<u>\$ 844</u>	<u>\$ 912</u>

The fiscal year-end 2017, 2016 and 2015 balances include \$444 million, \$469 million and \$501 million, respectively, that if recognized, would reduce our income tax expense and effective tax rate. These amounts are net of the offsetting benefits from other tax jurisdictions.

As of the end of fiscal 2017, 2016 and 2015, the Company had \$234 million, \$221 million and \$231 million, respectively, in accrued interest and penalties related to unrecognized tax benefits. During fiscal years 2017, 2016 and 2015, the Company accrued additional interest and penalties of \$43 million, \$22 million and \$68 million, respectively, and recorded reductions in accrued interest and penalties of \$30 million, \$32 million and \$54 million, respectively, as a result of audit settlements and other prior-year adjustments. The Company's policy is to report interest and penalties as a component of income tax expense.

The Company is no longer subject to U.S. federal examination for years prior to 2013 and is no longer subject to examination in any of its major state or foreign tax jurisdictions for years prior to 2008.

In the next twelve months, it is reasonably possible that our unrecognized tax benefits could change due to the resolution of certain tax matters, which could include payments on those tax matters. These resolutions and payments could reduce our unrecognized tax benefits by \$163 million.

In fiscal years 2017, 2016 and 2015, income tax benefits attributable to equity-based compensation transactions exceeded the amounts recorded based on grant date fair value. In fiscal year 2017, \$125 million of income tax benefit was credited to "Income taxes" in the Consolidated Statement of Income and in fiscal years 2016 and 2015, \$207 million and \$313 million, respectively, were credited to shareholders' equity (see Note 18 for further discussion of the impact of new accounting pronouncements in fiscal 2017).

10 Pension and Other Benefit Programs

The Company maintains pension and postretirement medical benefit plans covering certain of its employees not covered by union or industry-wide plans. The Company's defined benefit pension plans cover employees hired prior to January 1, 2012. For employees hired after this date, the Company has a defined contribution plan. Benefits under these pension plans are generally based on years of service and/or compensation and generally require 3 years of vesting service. Employees generally hired after January 1, 1987 for certain of our media businesses and other employees generally hired after January 1, 1994 are not eligible for postretirement medical benefits.

Defined Benefit Plans

The Company measures the actuarial value of its benefit obligations and plan assets for its defined benefit pension and postretirement medical benefit plans at September 30 and adjusts for any plan contributions or significant events between September 30 and our fiscal year end.

The following chart summarizes the benefit obligations, assets, funded status and balance sheet impacts associated with the defined benefit pension and postretirement medical benefit plans:

	Pension Plans		Postretirement Medical Plans	
	September 30, 2017	October 1, 2016	September 30, 2017	October 1, 2016
Projected benefit obligations				
Beginning obligations	\$ (14,480)	\$ (12,379)	\$ (1,759)	\$ (1,590)
Service cost	(368)	(318)	(11)	(11)
Interest cost	(447)	(458)	(56)	(61)
Actuarial gain / (loss)	343	(1,769)	42	(142)
Plan amendments and other	(22)	8	(9)	(9)
Benefits paid	442	436	47	54
Ending obligations	\$ (14,532)	\$ (14,480)	\$ (1,746)	\$ (1,759)
Fair value of plans' assets				
Beginning fair value	\$ 10,401	\$ 9,415	\$ 614	\$ 568
Actual return on plan assets	1,056	624	61	34
Contributions	1,348	839	61	61
Benefits paid	(442)	(436)	(47)	(54)
Expenses and other	(38)	(41)	7	5
Ending fair value	\$ 12,325	\$ 10,401	\$ 696	\$ 614
Underfunded status of the plans	\$ (2,207)	\$ (4,079)	\$ (1,050)	\$ (1,145)
Amounts recognized in the balance sheet				
Non-current assets	\$ 70	\$ —	\$ —	\$ —
Current liabilities	(46)	(40)	—	—
Non-current liabilities	(2,231)	(4,039)	(1,050)	(1,145)
	\$ (2,207)	\$ (4,079)	\$ (1,050)	\$ (1,145)

The components of net periodic benefit cost are as follows:

	Pension Plans			Postretirement Medical Plans		
	2017	2016	2015	2017	2016	2015
Service cost	\$ 368	\$ 318	\$ 332	\$ 11	\$ 11	\$ 14
Interest cost	447	458	521	56	61	68
Expected return on plan assets	(874)	(747)	(711)	(49)	(45)	(39)
Amortization of prior year service costs	12	14	16	—	(1)	(1)
Recognized net actuarial loss	405	242	247	17	8	10
Net periodic benefit cost	\$ 358	\$ 285	\$ 405	\$ 35	\$ 34	\$ 52

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In fiscal 2018, we expect pension and postretirement medical costs to decrease by \$63 million to \$330 million driven by higher expected returns on plan assets as a result of higher asset values at the end of fiscal 2017.

Key assumptions are as follows:

	Pension Plans			Postretirement Medical Plans		
	2017	2016	2015	2017	2016	2015
Discount rate used to determine the fiscal year end benefit obligation	3.88%	3.73%	4.47%	3.88%	3.73%	4.47%
Discount rate used to determine the interest cost component of net periodic benefit cost	3.18%	3.81%	4.40%	3.18%	3.81%	4.40%
Rate of return on plan assets	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%
Rate of salary increase	4.00%	4.00%	4.00%	n/a	n/a	n/a
Year 1 increase in cost of benefits	n/a	n/a	n/a	7.00%	7.00%	7.00%
Rate of increase to which the cost of benefits is assumed to decline (the ultimate trend rate)	n/a	n/a	n/a	4.25%	4.25%	4.25%
Year that the rate reaches the ultimate trend rate	n/a	n/a	n/a	2031	2030	2029

Assumed mortality is also a key assumption in determining benefit obligations.

AOCI, before tax, as of September 30, 2017 consists of the following amounts that have not yet been recognized in net periodic benefit cost:

	Pension Plans	Postretirement Medical Plans	Total
Prior service cost	\$ (65)	\$ —	\$ (65)
Net actuarial loss	(4,578)	(194)	(4,772)
Total amounts included in AOCI	(4,643)	(194)	(4,837)
Prepaid / (accrued) pension cost	2,436	(856)	1,580
Net balance sheet liability	\$ (2,207)	\$ (1,050)	\$ (3,257)

Amounts included in AOCI, before tax, as of September 30, 2017 that are expected to be recognized as components of net periodic benefit cost during fiscal 2018 are:

	Pension Plans	Postretirement Medical Plans	Total
Prior service cost	\$ (13)	\$ —	\$ (13)
Net actuarial loss	(347)	(14)	(361)
Total	\$ (360)	\$ (14)	\$ (374)

Plan Funded Status

The projected benefit obligation, accumulated benefit obligation and aggregate fair value of plan assets for pension plans with accumulated benefit obligations in excess of plan assets were \$8.5 billion, \$7.7 billion and \$6.4 billion, respectively, as of September 30, 2017 and \$13.4 billion, \$12.4 billion and \$9.5 billion, respectively, as of October 1, 2016.

For pension plans with projected benefit obligations in excess of plan assets, the projected benefit obligation and aggregate fair value of plan assets were \$12.8 billion and \$10.5 billion, respectively, as of September 30, 2017 and \$14.5 billion and \$10.4 billion respectively, as of October 1, 2016.

The Company's total accumulated pension benefit obligations at September 30, 2017 and October 1, 2016 were \$13.4 billion and \$13.3 billion. Approximately 99% was vested as of both dates.

The accumulated postretirement medical benefit obligations and fair value of plan assets for postretirement medical plans with accumulated postretirement medical benefit obligations in excess of plan assets were \$1.7 billion and \$0.7 billion, respectively, at September 30, 2017 and \$1.8 billion and \$0.6 billion, respectively, at October 1, 2016.

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Plan Assets

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

Asset Class	Minimum	Maximum
Equity investments	30%	60%
Fixed income investments	20%	40%
Alternative investments	10%	30%
Cash & money market funds	0%	10%

The primary investment objective for the assets within the master trust is the prudent and cost effective management of assets to satisfy benefit obligations to plan participants. Financial risks are managed through diversification of plan assets, selection of investment managers and through the investment guidelines incorporated in investment management agreements. Investments are monitored to assess whether returns are commensurate with risks taken.

The long-term asset allocation policy for the master trust was established taking into consideration a variety of factors that include, but are not limited to, the average age of participants, the number of retirees, the duration of liabilities and the expected payout ratio. Liquidity needs of the master trust are generally managed using cash generated by investments or by liquidating securities.

Assets are generally managed by external investment managers pursuant to investment management agreements that establish permitted securities and risk controls commensurate with the account's investment strategy. Some agreements permit the use of derivative securities (futures, options, interest rate swaps, credit default swaps) that enable investment managers to enhance returns and manage exposures within their accounts.

Fair Value Measurements of Plan Assets

Fair value is defined as the amount that would be received for selling an asset or paid to transfer a liability in an orderly transaction between market participants and is generally classified in one of the following categories of the fair value hierarchy:

Level 1 – Quoted prices for identical instruments in active markets

Level 2 – Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets

Level 3 – Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable

During fiscal 2017, the Company adopted new accounting guidance that allows for investments that are measured at net asset value (NAV) (or its equivalent) as a practical expedient to be excluded from the fair value hierarchy disclosure. Prior year disclosures have been restated to conform to the current year presentation.

The following is a description of the valuation methodologies used for assets reported at fair value. The methodologies used at September 30, 2017 and October 1, 2016 are the same.

Level 1 investments are valued based on reported market prices on the last trading day of the fiscal year. Investments in common and preferred stocks are valued based on an exchange-listed price or a broker's quote in an active market. Investments in U.S. Treasury securities are valued based on a broker's quote in an active market.

Level 2 investments in government and federal agency bonds, corporate bonds and mortgage-backed securities (MBS) and asset-backed securities are valued using a broker's quote in a non-active market or an evaluated price based on a compilation of reported market information, such as benchmark yield curves, credit spreads and estimated default rates. Derivative financial instruments are valued based on models that incorporate observable inputs for the underlying securities, such as interest rates or foreign currency exchange rates.

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The Company's defined benefit plan assets are summarized by level in the following tables:

Description	As of September 30, 2017			Plan Asset Mix
	Level 1	Level 2	Total	
Cash	\$ 88	\$ —	\$ 88	1%
Common and preferred stocks ⁽¹⁾	2,974	—	2,974	23%
Mutual funds	771	—	771	6%
Government and federal agency bonds, notes and MBS	1,870	548	2,418	19%
Corporate bonds	—	579	579	4%
Mortgage- and asset-backed securities	—	99	99	1%
Derivatives and other, net	—	14	14	—%
Total investments in the fair value hierarchy	\$ 5,703	\$ 1,240	\$ 6,943	
Assets valued at NAV as a practical expedient:				
Common collective funds			2,727	21%
Alternative investments			2,201	17%
Money market funds and other			1,150	9%
Total investments at fair value			\$ 13,021	100%

Description	As of October 1, 2016			Plan Asset Mix
	Level 1	Level 2	Total	
Cash	\$ 115	\$ —	\$ 115	1%
Common and preferred stocks ⁽¹⁾	2,238	—	2,238	20%
Mutual funds	720	—	720	7%
Government and federal agency bonds, notes and MBS	2,116	420	2,536	23%
Corporate bonds	—	469	469	4%
Mortgage- and asset-backed securities	—	86	86	1%
Derivatives and other, net	1	(7)	(6)	—%
Total investments in the fair value hierarchy	\$ 5,190	\$ 968	\$ 6,158	
Assets valued at NAV as a practical expedient:				
Common collective funds			1,861	17%
Alternative investments			2,072	19%
Money market funds and other			924	8%
Total investments at fair value			\$ 11,015	100%

⁽¹⁾ Includes 2.9 million shares of Company common stock valued at \$282 million (2% of total plan assets) and 2.8 million shares valued at \$264 million (2% of total plan assets) at September 30, 2017 and October 1, 2016 , respectively.

Uncalled Capital Commitments

Alternative investments held by the master trust include interests in funds that have rights to make capital calls to the investors. In such cases, the master trust would be contractually obligated to make a cash contribution at the time of the capital call. At September 30, 2017 , the total committed capital still uncalled and unpaid was \$788 million .

Plan Contributions

During fiscal 2017 , the Company made contributions to its pension and postretirement medical plans totaling \$1.4 billion . The Company currently does not expect to make material contributions in fiscal 2018. However, final minimum funding

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requirements for fiscal 2018 will be determined based on the January 1, 2018 funding actuarial valuation, which is expected to be received during the fourth quarter of fiscal 2018 .

Estimated Future Benefit Payments

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

	Pension Plans	Postretirement Medical Plans ⁽¹⁾
2018	\$ 503	\$ 49
2019	504	53
2020	536	58
2021	569	63
2022	607	67
2023 – 2027	3,569	405

⁽¹⁾ Estimated future benefit payments are net of expected Medicare subsidy receipts of \$79 million .

Assumptions

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

Discount Rate — The assumed discount rate for pension and postretirement medical plans reflects the market rates for high-quality corporate bonds currently available. The Company’s discount rate was determined by considering yield curves constructed of a large population of high-quality corporate bonds and reflects the matching of the plans’ liability cash flows to the yield curves. The Company measures service and interest costs by applying the specific spot rates along that yield curve to the plans’ liability cash flows.

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

Equity Securities	7% to 11%
Debt Securities	3% to 5%
Alternative Investments	7% to 12%

Healthcare cost trend rate — The Company reviews external data and its own historical trends for healthcare costs to determine the healthcare cost trend rates for the postretirement medical benefit plans. The 2017 actuarial valuation assumed a 7.00% annual rate of increase in the per capita cost of covered healthcare claims with the rate decreasing in even increments over fourteen years until reaching 4.25% .

Sensitivity — A one percentage point (ppt) change in the key assumptions would have the following effects on the projected benefit obligations for pension and postretirement medical plans as of September 30, 2017 and on cost for fiscal 2018 :

Increase/(decrease)	Discount Rate		Expected Long-Term Rate of Return On Assets	Assumed Healthcare Cost Trend Rate	
	Benefit Expense	Projected Benefit Obligations	Benefit Expense	Net Periodic Postretirement Medical Cost	Projected Benefit Obligations
1 ppt decrease	\$ 263	\$ 2,778	\$ 127	\$ (29)	\$ (239)
1 ppt increase	(242)	(2,349)	(127)	44	316

Multiemployer Benefit Plans

The Company participates in a number of multiemployer pension plans under union and industry-wide collective bargaining agreements that cover our union-represented employees and expenses its contributions to these plans as incurred. These plans generally provide for retirement, death and/or termination benefits for eligible employees within the applicable

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collective bargaining units, based on specific eligibility/participation requirements, vesting periods and benefit formulas. The risks of participating in these multiemployer plans are different from single-employer plans. For example:

- Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.
- If a participating employer stops contributing to the multiemployer plan, the unfunded obligations of the plan may become the obligation of the remaining participating employers.
- If the Company chooses to stop participating in these multiemployer plans, the Company may be required to pay those plans an amount based on the underfunded status of the plan.

The Company also participates in several multiemployer health and welfare plans that cover both active and retired employees. Health care benefits are provided to participants who meet certain eligibility requirements under the applicable collective bargaining unit.

The following table sets forth our contributions to multiemployer pension and health and welfare benefit plans that were expensed during the fiscal years 2017, 2016 and 2015, respectively:

	2017	2016	2015
Pension plans	\$ 127	\$ 126	\$ 128
Health & welfare plans	160	167	173
Total contributions	\$ 287	\$ 293	\$ 301

Defined Contribution Plans

The Company has defined contribution retirement plans for domestic employees who began service after December 31, 2011 and are not eligible to participate in the defined benefit pension plans. In general, the Company contributes from 3% to 9% of an employee's compensation depending on the employee's age and years of service with the Company up to plan limits. The Company has savings and investment plans that allow eligible employees to contribute up to 50% of their salary through payroll deductions depending on the plan in which the employee participates. The Company matches 50% of the employee's contribution up to plan limits. In fiscal years 2017, 2016 and 2015, the costs of these defined contribution plans were \$143 million, \$131 million and \$110 million, respectively. The Company also has defined contribution retirement plans for employees in our international operations. The costs of these defined contribution plans were \$20 million, \$19 million and \$19 million in 2017, 2016 and 2015, respectively.

11 Equity

The Company paid the following dividends in fiscal 2017, 2016 and 2015:

Per Share	Total Paid	Payment Timing	Related to Fiscal Period
\$0.78	\$1.2 billion	Fourth Quarter of Fiscal 2017	First Half 2017
\$0.78	\$1.2 billion	Second Quarter of Fiscal 2017	Second Half 2016
\$0.71	\$1.1 billion	Fourth Quarter of Fiscal 2016	First Half 2016
\$0.71	\$1.2 billion	Second Quarter of Fiscal 2016	Second Half 2015
\$0.66	\$1.1 billion	Fourth Quarter of Fiscal 2015	First Half 2015
\$1.15	\$1.9 billion	Second Quarter of Fiscal 2015	2014

The Company repurchased its common stock in fiscal 2017, 2016 and 2015 as follows:

Fiscal year	Shares acquired	Total paid
2017	89 million	\$9.4 billion
2016	74 million	\$7.5 billion
2015	60 million	\$6.1 billion

On January 30, 2015, the Company's Board of Directors increased the amount of shares that can be repurchased to 400 million shares as of that date. As of September 30, 2017, the Company had remaining authorization in place to repurchase 192 million additional shares. The repurchase program does not have an expiration date.

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The following table summarizes the changes in each component of AOCI including our proportional share of equity method investee amounts, net of 37% estimated tax:

	Market Value Adjustments		Unrecognized Pension and Postretirement Medical Expense	Foreign Currency Translation and Other ⁽¹⁾	AOCI
	Investments	Cash Flow Hedges			
Balance at Sept. 27, 2014	\$ 100	\$ 204	\$ (2,196)	\$ (76)	\$ (1,968)
Unrealized gains (losses) arising during the period	(37)	421	(474)	(195)	(285)
Reclassifications of realized net (gains) losses to net income	(50)	(291)	173	—	(168)
Balance at Oct. 3, 2015	13	334	(2,497)	(271)	(2,421)
Unrealized gains (losses) arising during the period	13	(193)	(1,321)	(58)	(1,559)
Reclassifications of realized net (gains) losses to net income	—	(166)	167	—	1
Balance at Oct. 1, 2016	26	(25)	(3,651)	(329)	(3,979)
Unrealized gains (losses) arising during the period	(1)	85	312	(78)	318
Reclassifications of realized net (gains) losses to net income	(17)	(122)	272	—	133
Balance at Sept. 30, 2017	\$ 8	\$ (62)	\$ (3,067)	\$ (407)	\$ (3,528)

⁽¹⁾ Foreign Currency Translation and Other is net of an average 22% estimated tax at September 30, 2017 as the Company has not recognized deferred tax assets for some of our foreign entities.

Details about AOCI components reclassified to net income are as follows:

Gains/(losses) in net income:	Affected line item in the Consolidated Statements of Income:	2017	2016	2015
Investments, net	Interest expense, net	\$ 27	\$ —	\$ 79
Estimated tax	Income taxes	(10)	—	(29)
		17	—	50
Cash flow hedges	Primarily revenue	194	264	462
Estimated tax	Income taxes	(72)	(98)	(171)
		122	166	291
Pension and postretirement medical expense	Cost and expenses	(432)	(265)	(274)
Estimated tax	Income taxes	160	98	101
		(272)	(167)	(173)
Total reclassifications for the period		\$ (133)	\$ (1)	\$ 168

12 Equity-Based Compensation

Under various plans, the Company may grant stock options and other equity-based awards to executive, management and creative personnel. The Company's approach to long-term incentive compensation contemplates awards of stock options and restricted stock units (RSUs). Certain RSUs awarded to senior executives vest based upon the achievement of market or performance conditions (Performance RSUs).

Stock options are generally granted at exercise prices equal to or exceeding the market price at the date of grant and become exercisable ratably over a four-year period from the grant date. The contractual terms for our outstanding stock option

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grants are 10 years. At the discretion of the Compensation Committee of the Company's Board of Directors, options can occasionally extend up to 15 years after date of grant. RSUs generally vest ratably over four years and Performance RSUs fully vest after three years, subject to achieving market or performance conditions. Equity-based award grants generally provide continued vesting, in the event of termination, for employees that reach age 60 or greater, have at least ten years of service and have held the award for at least one year.

Each share granted subject to a stock option award reduces the number of shares available under the Company's stock incentive plans by one share while each share granted subject to a RSU award reduces the number of shares available by two shares. As of September 30, 2017, the maximum number of shares available for issuance under the Company's stock incentive plans (assuming all the awards are in the form of stock options) was approximately 66 million shares and the number available for issuance assuming all awards are in the form of RSUs was approximately 33 million shares. The Company satisfies stock option exercises and vesting of RSUs with newly issued shares. Stock options and RSUs are generally forfeited by employees who terminate prior to vesting.

Each year, during the first half of the year, the Company awards stock options and restricted stock units to a broad-based group of management and creative personnel. The fair value of options is estimated based on the binomial valuation model. The binomial valuation model takes into account variables such as volatility, dividend yield and the risk-free interest rate. The binomial valuation model also considers the expected exercise multiple (the multiple of exercise price to grant price at which exercises are expected to occur on average) and the termination rate (the probability of a vested option being canceled due to the termination of the option holder) in computing the value of the option.

In fiscal years 2017, 2016 and 2015, the weighted average assumptions used in the option-valuation model were as follows:

	2017	2016	2015
Risk-free interest rate	2.6%	2.3%	2.1%
Expected volatility	22%	26%	24%
Dividend yield	1.58%	1.32%	1.37%
Termination rate	4.0%	4.0%	3.2%
Exercise multiple	1.62	1.62	1.48

Although the initial fair value of stock options is not adjusted after the grant date, changes in the Company's assumptions may change the value of, and therefore the expense related to, future stock option grants. The assumptions that cause the greatest variation in fair value in the binomial valuation model are the expected volatility and expected exercise multiple. Increases or decreases in either the expected volatility or expected exercise multiple will cause the binomial option value to increase or decrease, respectively. The volatility assumption considers both historical and implied volatility and may be impacted by the Company's performance as well as changes in economic and market conditions.

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

The impact of stock options and RSUs on income and cash flows for fiscal years 2017, 2016 and 2015, was as follows:

	2017	2016	2015
Stock option	\$ 90	\$ 93	\$ 102
RSUs	274	293	309
Total equity-based compensation expense ⁽¹⁾	364	386	411
Tax impact	(123)	(131)	(134)
Reduction in net income	\$ 241	\$ 255	\$ 277
Equity-based compensation expense capitalized during the period	\$ 78	\$ 78	\$ 57
Tax benefit reported in cash flow from financing activities ⁽²⁾	n/a	\$ 208	\$ 313

⁽¹⁾ Equity-based compensation expense is net of capitalized equity-based compensation and estimated forfeitures and excludes amortization of previously capitalized equity-based compensation costs.

⁽²⁾ The amount for fiscal 2017 is not applicable as the Company adopted new accounting guidance in fiscal 2017 (see Note 18).

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

	2017	
	Shares	Weighted Average Exercise Price
Outstanding at beginning of year	25	\$ 66.91
Awards forfeited	(1)	99.40
Awards granted	5	105.20
Awards exercised	(5)	52.58
Outstanding at end of year	24	\$ 76.68
Exercisable at end of year	14	\$ 58.62

The following tables summarize information about stock options vested and expected to vest at September 30, 2017 (shares in millions):

Range of Exercise Prices				Vested		
				Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Years of Contractual Life
\$	—	—	\$ 35	1	\$ 30.15	2.3
\$	36	—	\$ 45	4	39.10	3.9
\$	46	—	\$ 90	6	59.42	5.6
\$	91	—	\$ 115	3	99.59	7.6
				14		

Range of Exercise Prices				Expected to Vest		
				Number of Options ⁽¹⁾	Weighted Average Exercise Price	Weighted Average Remaining Years of Contractual Life
\$	—	—	\$ 75	1	\$ 72.56	6.2
\$	76	—	\$ 95	2	92.12	7.3
\$	96	—	\$ 115	7	107.98	8.9
				10		

⁽¹⁾ Number of options expected to vest is total unvested options less estimated forfeitures.

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

	2017	
	Units	Weighted Average Grant-Date Fair Value
Unvested at beginning of year	10	\$ 88.84
Granted ⁽¹⁾	4	105.66
Vested	(4)	77.15
Forfeited	(1)	97.85
Unvested at end of year ⁽²⁾	9	\$ 101.17

⁽¹⁾ Includes 0.2 million Performance RSUs.

⁽²⁾ Includes 0.6 million Performance RSUs.

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The weighted average grant-date fair values of options granted during fiscal 2017, 2016 and 2015 were \$25.65, \$30.93 and \$22.65, respectively. The total intrinsic value (market value on date of exercise less exercise price) of options exercised and RSUs vested during fiscal 2017, 2016 and 2015 totaled \$757 million, \$981 million and \$1,332 million, respectively. The aggregate intrinsic values of stock options vested and expected to vest at September 30, 2017 were \$562 million and \$42 million, respectively.

As of September 30, 2017, unrecognized compensation cost related to unvested stock options and RSUs was \$133 million and \$468 million, respectively. That cost is expected to be recognized over a weighted-average period of 1.7 years for stock options and 1.6 years for RSUs.

Cash received from option exercises for fiscal 2017, 2016 and 2015 was \$276 million, \$259 million and \$329 million, respectively. Tax benefits realized from tax deductions associated with option exercises and RSUs vesting for fiscal 2017, 2016 and 2015 was \$264 million, \$342 million and \$457 million, respectively.

13 *Detail of Certain Balance Sheet Accounts*

	September 30, 2017	October 1, 2016
<i>Current receivables</i>		
Accounts receivable	\$ 8,013	\$ 8,458
Other	807	760
Allowance for doubtful accounts	(187)	(153)
	<u>\$ 8,633</u>	<u>\$ 9,065</u>
<i>Other current assets</i>		
Prepaid expenses	\$ 445	\$ 449
Other	143	244
	<u>\$ 588</u>	<u>\$ 693</u>
<i>Parks, resorts and other property</i>		
Attractions, buildings and improvements	\$ 28,644	\$ 27,930
Leasehold improvements	898	830
Furniture, fixtures and equipment	18,908	16,912
Land improvements	5,593	4,598
	<u>54,043</u>	<u>50,270</u>
Accumulated depreciation	(29,037)	(26,849)
Projects in progress	2,145	2,684
Land	1,255	1,244
	<u>\$ 28,406</u>	<u>\$ 27,349</u>
<i>Intangible assets</i>		
Character/franchise intangibles and copyrights	\$ 5,829	\$ 5,829
Other amortizable intangible assets	1,154	893
Accumulated amortization	(1,828)	(1,635)
Net amortizable intangible assets	5,155	5,087
FCC licenses	602	624
Trademarks	1,218	1,218
Other indefinite lived intangible assets	20	20
	<u>\$ 6,995</u>	<u>\$ 6,949</u>

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	September 30, 2017	October 1, 2016
<i>Other non-current assets</i>		
Receivables	\$ 1,688	\$ 1,651
Prepaid expenses	233	229
Other	469	460
	<u>\$ 2,390</u>	<u>\$ 2,340</u>
<i>Accounts payable and other accrued liabilities</i>		
Accounts payable	\$ 6,490	\$ 6,860
Payroll and employee benefits	1,819	1,747
Other	546	523
	<u>\$ 8,855</u>	<u>\$ 9,130</u>
<i>Other long-term liabilities</i>		
Pension and postretirement medical plan liabilities	\$ 3,281	\$ 5,184
Other	3,162	2,522
	<u>\$ 6,443</u>	<u>\$ 7,706</u>

14 Commitments and Contingencies

Commitments

The Company has various contractual commitments for broadcast rights for sports, feature films and other programming, totaling approximately \$47.5 billion, including approximately \$0.4 billion for available programming as of September 30, 2017, and approximately \$45.0 billion related to sports programming rights, primarily for college football (including bowl games and the College Football Playoff) and basketball, NBA, NFL, MLB, US Open Tennis, various soccer rights, NHL, the Wimbledon Championships and the Masters golf tournament.

The Company has entered into operating leases for various real estate and equipment needs, including retail outlets and distribution centers for consumer products, broadcast equipment and office space for general and administrative purposes. Rental expense for operating leases during fiscal years 2017, 2016 and 2015, including common-area maintenance and contingent rentals, was \$868 million, \$847 million and \$859 million, respectively.

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

Contractual commitments for broadcast programming rights, future minimum lease payments under non-cancelable operating leases, cruise ships, creative talent and other commitments totaled \$58.3 billion at September 30, 2017, payable as follows:

	Broadcast Programming	Operating Leases	Other	Total
2018	\$ 6,662	\$ 580	\$ 1,825	\$ 9,067
2019	6,868	472	998	8,338
2020	6,844	401	777	8,022
2021	6,694	324	384	7,402
2022	4,779	244	1,005	6,028
Thereafter	15,701	1,327	2,424	19,452
	<u>\$ 47,548</u>	<u>\$ 3,348</u>	<u>\$ 7,413</u>	<u>\$ 58,309</u>

Certain contractual commitments, principally broadcast programming rights and operating leases, have payments that are variable based primarily on revenues and are not included in the table above.

The Company has non-cancelable capital leases, primarily for land and broadcast equipment, which had gross carrying values of \$466 million and \$464 million at September 30, 2017 and October 1, 2016, respectively. Accumulated amortization

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related to these capital leases totaled \$233 million and \$216 million at September 30, 2017 and October 1, 2016 , respectively. Future payments under these leases as of September 30, 2017 are as follows:

2018	\$	25
2019		17
2020		15
2021		15
2022		15
Thereafter		446
Total minimum obligations		533
Less amount representing interest		(392)
Present value of net minimum obligations		141
Less current portion		(12)
Long-term portion	\$	129

Legal Matters

The Company, together with, in some instances, certain of its directors and officers, is a defendant or codefendant in various legal actions involving copyright, breach of contract and various other claims incident to the conduct of its businesses. Management does not believe that the Company has incurred a probable material loss by reason of any of the above actions.

Contractual Guarantees

The Company has guaranteed bond issuances by the Anaheim Public Authority that were used by the City of Anaheim to finance construction of infrastructure and a public parking facility adjacent to the Disneyland Resort. Revenues from sales, occupancy and property taxes from the Disneyland Resort and non-Disney hotels are used by the City of Anaheim to repay the bonds. In the event of a debt service shortfall, the Company will be responsible to fund the shortfall. As of September 30, 2017 , the remaining debt service obligation guaranteed by the Company was \$306 million , of which \$48 million was principal. To the extent that tax revenues exceed the debt service payments in subsequent periods, the Company would be reimbursed for any previously funded shortfalls. To date, tax revenues have exceeded the debt service payments for the Anaheim bonds.

Long-Term Receivables and the Allowance for Credit Losses

The Company has accounts receivable with original maturities greater than one year related to the sale of television program rights and vacation ownership units. Allowances for credit losses are established against these receivables as necessary.

The Company estimates the allowance for credit losses related to receivables from the sale of television programs based upon a number of factors, including historical experience and the financial condition of individual companies with which we do business. The balance of television program sales receivables recorded in other non-current assets, net of an immaterial allowance for credit losses, was \$0.9 billion as of September 30, 2017 . Fiscal 2017 activity related to the allowance for credit losses was not material.

The Company estimates the allowance for credit losses related to receivables from sales of its vacation ownership units based primarily on historical collection experience. Estimates of uncollectible amounts also consider the economic environment and the age of receivables. The balance of mortgage receivables recorded in other non-current assets, net of a related allowance for credit losses of approximately 4% , was \$0.7 billion as of September 30, 2017 . Fiscal 2017 activity related to the allowance for credit losses was not material.

15 Fair Value Measurement

The Company's assets and liabilities measured at fair value are summarized in the following tables by fair value measurement Level. See Note 10 for definitions of fair value measures and the Levels within the fair value hierarchy.

Description	Fair Value Measurement at September 30, 2017			
	Level 1	Level 2	Level 3	Total
Assets				
Investments	\$ 36	\$ —	\$ —	\$ 36
Derivatives				
Interest rate	—	10	—	10
Foreign exchange	—	403	—	403
Other	—	8	—	8
Liabilities				
Derivatives				
Interest rate	—	(122)	—	(122)
Foreign exchange	—	(427)	—	(427)
Total recorded at fair value	\$ 36	\$ (128)	\$ —	\$ (92)
Fair value of borrowings	\$ —	\$ 23,110	\$ 2,764	\$ 25,874
Description	Fair Value Measurement at October 1, 2016			
	Level 1	Level 2	Level 3	Total
Assets				
Investments	\$ 85	\$ —	\$ —	\$ 85
Derivatives				
Interest rate	—	132	—	132
Foreign exchange	—	596	—	596
Other	—	6	—	6
Liabilities				
Derivatives				
Interest rate	—	(13)	—	(13)
Foreign exchange	—	(510)	—	(510)
Other	—	(4)	—	(4)
Total recorded at fair value	\$ 85	\$ 207	\$ —	\$ 292
Fair value of borrowings	\$ —	\$ 19,500	\$ 1,579	\$ 21,079

The fair values of Level 2 derivatives are primarily determined by internal discounted cash flow models that use observable inputs such as interest rates, yield curves and foreign currency exchange rates. Counterparty credit risk, which is mitigated by master netting agreements and collateral posting arrangements with certain counterparties, did not have a material impact on derivative fair value estimates.

Level 2 borrowings, which include commercial paper and U.S. medium-term notes, are valued based on quoted prices for similar instruments in active markets.

Level 3 borrowings, which include Asia Theme Park borrowings and other foreign currency denominated borrowings, are generally valued based on historical market transactions, prevailing market interest rates and the Company's current borrowing cost and credit risk.

The Company's financial instruments also include cash, cash equivalents, receivables and accounts payable. The carrying values of these financial instruments approximate the fair values.

The Company also has assets that are required to be recorded at fair value on a non-recurring basis when the estimated future cash flows provide indicators that the asset may be impaired. During fiscal 2017 and 2016, the Company recorded film production cost impairment charges of \$115 million and \$102 million, respectively. At September 30, 2017 and October 1,

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2016, the aggregate carrying value of the films for which we prepared the fair value analyses in fiscal 2017 and 2016 was \$143 million and \$297 million, respectively. The fiscal 2017 and the majority of fiscal 2016 impairment charges are reported in “Cost of services” in the Consolidated Statements of Income. The balance of the fiscal 2016 charges related to the shutdown of certain international film production operations and are reported in “Restructuring and impairment charges” in the Consolidated Statements of Income. The film impairment charges reflected the excess of the unamortized cost of the impaired films over their estimated fair value using discounted cash flows, which is a Level 3 valuation technique.

Credit Concentrations

The Company monitors its positions with, and the credit quality of, the financial institutions that are counterparties to its financial instruments on an ongoing basis and does not currently anticipate nonperformance by the counterparties.

The Company does not expect that it would realize a material loss, based on the fair value of its derivative financial instruments as of September 30, 2017, in the event of nonperformance by any single derivative counterparty. The Company generally enters into derivative transactions only with counterparties that have a credit rating of A- or better and requires collateral in the event credit ratings fall below A- or aggregate exposures exceed limits as defined by contract. In addition, the Company limits the amount of investment credit exposure with any one institution.

The Company does not have material cash and cash equivalent balances with financial institutions that have below investment grade credit ratings. As of September 30, 2017, the Company’s balances with individual financial institutions that exceeded 10% of the Company’s total cash and cash equivalents were 25% of total cash and cash equivalents compared to 34% as of October 1, 2016.

The Company’s trade receivables and financial investments do not represent a significant concentration of credit risk at September 30, 2017 due to the wide variety of customers and markets in which the Company’s products are sold, the dispersion of our customers across geographic areas and the diversification of the Company’s portfolio among financial institutions.

16 *Derivative Instruments*

The Company manages its exposure to various risks relating to its ongoing business operations according to a risk management policy. The primary risks managed with derivative instruments are interest rate risk and foreign exchange risk.

The Company’s derivative positions measured at fair value are summarized in the following tables:

	As of September 30, 2017			
	Current Assets	Other Assets	Other Current Liabilities	Other Long-Term Liabilities
Derivatives designated as hedges				
Foreign exchange	\$ 175	\$ 190	\$ (192)	\$ (170)
Interest rate	—	10	(106)	—
Other	6	2	—	—
Derivatives not designated as hedges				
Foreign exchange	38	—	(46)	(19)
Interest Rate	—	—	—	(16)
Gross fair value of derivatives	219	202	(344)	(205)
Counterparty netting	(142)	(190)	188	144
Cash collateral (received)/paid	(20)	(7)	19	—
Net derivative positions	\$ 57	\$ 5	\$ (137)	\$ (61)

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As of October 1, 2016

	Current Assets	Other Assets	Other Current Liabilities	Other Long-Term Liabilities
Derivatives designated as hedges				
Foreign exchange	\$ 278	\$ 191	\$ (209)	\$ (163)
Interest rate	—	132	(13)	—
Other	3	3	(4)	—
Derivatives not designated as hedges				
Foreign exchange	125	2	(133)	(5)
Gross fair value of derivatives	406	328	(359)	(168)
Counterparty netting	(241)	(199)	316	124
Cash collateral (received)/paid	(77)	(44)	7	—
Net derivative positions	\$ 88	\$ 85	\$ (36)	\$ (44)

Interest Rate Risk Management

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

The Company designates pay-floating interest rate swaps as fair value hedges of fixed-rate borrowings effectively converting fixed-rate borrowings to variable rate borrowings indexed to LIBOR. As of September 30, 2017 and October 1, 2016, the total notional amount of the Company's pay-floating interest rate swaps was \$8.2 billion and \$8.3 billion, respectively. The following table summarizes adjustments related to fair value hedges included in "Interest expense, net" in the Consolidated Statements of Income.

	2017	2016	2015
Gain (loss) on interest rate swaps	\$ (211)	\$ 18	\$ 60
Gain (loss) on hedged borrowings	211	(18)	(60)

In addition, the Company realized net benefits of \$35 million, \$94 million and \$97 million for fiscal years 2017, 2016 and 2015, respectively, in "Interest expense, net" related to pay-floating interest rate swaps.

The Company may designate pay-fixed interest rate swaps as cash flow hedges of interest payments on floating-rate borrowings. Pay-fixed swaps effectively convert floating rate borrowings to fixed-rate borrowings. The unrealized gains or losses from these cash flow hedges are deferred in AOCI and recognized in interest expense as the interest payments occur. The Company did not have pay-fixed interest rate swaps that were designated as cash flow hedges of interest payments at September 30, 2017 or at October 1, 2016, and gains and losses related to pay-fixed swaps recognized in earnings for fiscal years 2017, 2016 and 2015 were not material.

To facilitate its interest rate risk management activities, the Company sold an option in November 2016 to enter into a future pay-floating interest rate swap indexed to LIBOR for \$0.5 billion in future borrowings. The fair value of this contract as of September 30, 2017 was not material. In October 2017, the Company sold an additional option for \$0.5 billion in future borrowings with the same terms. The options are not designated as hedges and do not qualify for hedge accounting, accordingly, changes in value are recorded in earnings.

Foreign Exchange Risk Management

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

The Company enters into option and forward contracts that change in value as foreign currency exchange rates change to protect the value of its existing foreign currency assets, liabilities, firm commitments and forecasted but not firmly committed foreign currency transactions. In accordance with policy, the Company hedges its forecasted foreign currency transactions for periods generally not to exceed four years within an established minimum and maximum range of annual exposure. The gains and losses on these contracts offset changes in the U.S. dollar equivalent value of the related forecasted transaction, asset,

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liability or firm commitment. The principal currencies hedged are the euro, Japanese yen, Canadian dollar and British pound. Cross-currency swaps are used to effectively convert foreign currency-denominated borrowings into U.S. dollar denominated borrowings.

The Company designates foreign exchange forward and option contracts as cash flow hedges of firmly committed and forecasted foreign currency transactions. As of September 30, 2017 and October 1, 2016, the notional amounts of the Company's net foreign exchange cash flow hedges were \$6.3 billion and \$5.6 billion, respectively. Mark-to-market gains and losses on these contracts are deferred in AOCI and are recognized in earnings when the hedged transactions occur, offsetting changes in the value of the foreign currency transactions. Gains and losses recognized related to ineffectiveness for fiscal years 2017, 2016 and 2015 were not material. Net deferred losses recorded in AOCI that will be reclassified to earnings in the next twelve months totaled \$56 million.

Foreign exchange risk management contracts with respect to foreign currency denominated assets and liabilities are not designated as hedges and do not qualify for hedge accounting. The notional amounts of these foreign exchange contracts at September 30, 2017 and October 1, 2016 were \$3.6 billion and \$3.3 billion, respectively. The following table summarizes the net foreign exchange gains or losses recognized on foreign currency denominated assets and liabilities and the net foreign exchange gains or losses on the foreign exchange contracts we entered into to mitigate our exposure with respect to foreign currency denominated assets and liabilities for fiscal years 2017, 2016 and 2015 by corresponding line item in which they are recorded in the Consolidated Statements of Income:

	Costs and Expenses			Interest expense, net			Income Tax Expense		
	2017	2016	2015	2017	2016	2015	2017	2016	2015
Net gains (losses) on foreign currency denominated assets and liabilities	\$ 105	\$ 2	\$ (574)	\$ (13)	\$ (2)	\$ 42	\$ 3	\$ 49	\$ 40
Net gains (losses) on foreign exchange risk management contracts not designated as hedges	(120)	(65)	558	11	—	(43)	24	(24)	—
Net gains (losses)	\$ (15)	\$ (63)	\$ (16)	\$ (2)	\$ (2)	\$ (1)	\$ 27	\$ 25	\$ 40

Commodity Price Risk Management

The Company is subject to the volatility of commodities prices, and the Company designates certain commodity forward contracts as cash flow hedges of forecasted commodity purchases. Mark-to-market gains and losses on these contracts are deferred in AOCI and are recognized in earnings when the hedged transactions occur, offsetting changes in the value of commodity purchases. The notional amount and fair value of these commodity forward contracts at September 30, 2017 and October 1, 2016 were not material. The related gains and losses recognized in earnings were not material for fiscal years 2017, 2016 and 2015.

Risk Management – Other Derivatives Not Designated as Hedges

The Company enters into certain other risk management contracts that are not designated as hedges and do not qualify for hedge accounting. These contracts, which include certain swap contracts, are intended to offset economic exposures of the Company and are carried at market value with any changes in value recorded in earnings. The notional amount and fair value of these contracts at September 30, 2017 and October 1, 2016 were not material. The related gains and losses recognized in earnings were not material for fiscal years 2017, 2016 and 2015.

Contingent Features and Cash Collateral

The Company has master netting arrangements by counterparty with respect to certain derivative financial instrument contracts. The Company may be required to post collateral in the event that a net liability position with a counterparty exceeds limits defined by contract and that vary with the Company's credit rating. In addition, these contracts may require a counterparty to post collateral to the Company in the event that a net receivable position with a counterparty exceeds limits defined by contract and that vary with the counterparty's credit rating. If the Company's or counterparty's credit ratings were to fall below investment grade, such counterparties or the Company would also have the right to terminate our derivative contracts, which could lead to a net payment to or from the Company for the aggregate net value by counterparty of our derivative contracts. The aggregate fair values of derivative instruments with credit-risk-related contingent features in a net liability position by counterparty were \$217 million and \$86 million at September 30, 2017 and October 1, 2016, respectively.

17 *Restructuring and Impairment Charges*

The Company recorded \$98 million, \$156 million and \$53 million of restructuring and impairment charges in fiscal years 2017, 2016 and 2015, respectively. Charges in fiscal 2017 were due to severance costs and asset impairments. Charges in fiscal 2016 were due to asset impairments and severance and contract termination costs. Charges in fiscal 2015 were primarily due to a contract termination and severance.

18 *New Accounting Pronouncements*

Targeted Improvements to Accounting for Hedging Activities

In August 2017, the Financial Accounting Standards Board (FASB) issued guidance to improve certain aspects of the hedge accounting model including making more risk management strategies eligible for hedge accounting and simplifying the assessment of hedge effectiveness. The Company is assessing the potential impact this guidance will have on its financial statements. The new guidance is effective beginning with the Company's 2020 fiscal year (with early adoption permitted in any interim period) and requires prospective adoption with a cumulative-effect adjustment to retained earnings as of the beginning of the fiscal year of adoption for existing hedging relationships.

Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost

In March 2017, the FASB issued guidance that requires presentation of all components of net periodic pension and postretirement benefit costs, other than service costs, in an income statement line item outside of a subtotal of income from operations. The service cost component will continue to be presented in the same line items as other employee compensation costs. In addition, the guidance allows only service costs to be eligible for capitalization, for example, as part of a self-constructed fixed asset or a film production. The new guidance is effective beginning with the first quarter of the Company's 2019 fiscal year (with early adoption permitted as of the beginning of an annual period). The guidance is required to be adopted retrospectively with respect to the income statement presentation requirement and prospectively for the capitalization requirement. We do not expect the change in capitalization requirement to have a material impact on our financial statements. See Note 10 for the amount of each component of net periodic pension and postretirement benefit costs we have reported historically. These amounts of net periodic pension and postretirement benefit costs are not necessarily indicative of future amounts that may arise in years following implementation of the new accounting pronouncement.

Restricted Cash

In November 2016, the FASB issued guidance that requires restricted cash to be presented with cash and cash equivalents in the statement of cash flows. Restricted cash is recorded in other assets in the consolidated balance sheets. However, the increases or decreases in restricted cash are no longer reported as a change in operating assets. The Company adopted the new guidance in fiscal 2017, which required retrospective adoption. Upon adoption, operating activities in the Consolidated Statements of Cash Flows for fiscal 2016 were reduced by \$0.3 billion and for fiscal 2015 were increased by \$0.2 billion. A reconciliation of cash and cash equivalents presented in the Consolidated Balance Sheets to cash, cash equivalents and restricted cash presented in the Consolidated Statements of Cash Flows has been provided in Note 2.

Intra-Entity Transfers of Assets Other Than Inventory

In October 2016, the FASB issued guidance that requires the income tax consequences of an intra-entity transfer of an asset other than inventory to be recognized when the transfer occurs instead of when the asset is sold to an outside party. The new guidance is effective beginning with the first quarter of the Company's 2019 fiscal year (with early adoption permitted as of the beginning of an annual period). The guidance requires prospective adoption with a cumulative-effect adjustment to retained earnings as of the beginning of the period of adoption. The Company is assessing the potential impact this guidance will have on its financial statements.

Improvements to Employee Share-based Payment Accounting

In March 2016, the FASB issued guidance to amend certain aspects of accounting for employee share-based awards, including accounting for income taxes related to those transactions. This guidance requires that excess tax benefits and deficiencies (that result from an increase or decrease in the fair value of an award from grant date to the vesting date or exercise date) on share-based compensation arrangements are recorded in the tax provision, instead of in equity as under the prior guidance. These amounts will also be classified as an operating activity in the statement of cash flows, instead of as a financing activity. In addition, cash paid for shares withheld to satisfy employee taxes is to be classified as a financing activity, instead of as an operating activity.

The Company adopted the new guidance in fiscal 2017, and the impact was as follows:

- During fiscal 2017, excess tax benefits of \$0.1 billion, were recognized as a benefit in “Income taxes” in the Consolidated Statement of Income and classified as a source in operating activities in the Consolidated Statement of Cash Flows. The guidance required prospective adoption for the statement of income and allowed for either prospective or retrospective adoption for the statement of cash flows. The Company elected to prospectively adopt the effect to the statement of cash flows and accordingly, did not restate the Consolidated Statements of Cash Flows for fiscal 2016 or 2015, which had excess tax benefits of approximately \$0.2 billion and \$0.3 billion, respectively.
- During fiscal 2017, cash paid for shares withheld to satisfy employee taxes of \$0.2 billion was classified as a use in financing activities in the Consolidated Statement of Cash Flows. The guidance required retrospective adoption; accordingly, for fiscal 2016 and 2015, uses of \$0.2 billion and \$0.3 billion, respectively, were reclassified from operating activities to financing activities in the Consolidated Statements of Cash Flows.

Leases

In February 2016, the FASB issued a new lease accounting standard, which requires the present value of future operating lease payments to be recorded as right-of-use lease assets and lease liabilities on the balance sheet. As of September 30, 2017 and October 1, 2016, the Company had an estimated \$3.3 billion and \$3.1 billion, respectively, in undiscounted future minimum lease commitments. The Company is currently assessing the impact of the new guidance on its financial statements. The guidance is required to be adopted retrospectively, and is effective beginning in the first quarter of the Company’s 2020 fiscal year (with early adoption permitted).

Revenue from Contracts with Customers

In May 2014, the FASB issued guidance that replaces the existing accounting standards for revenue recognition with a single comprehensive five-step model, eliminating industry-specific accounting rules. The core principle is to recognize revenue upon the transfer of control of goods or services to customers at an amount that reflects the consideration expected to be received. Since its issuance, the FASB has amended several aspects of the new guidance, including provisions that address revenue recognition associated with the licensing of intellectual property (IP). The new guidance, including the amendments, is effective at the beginning of the Company’s 2019 fiscal year.

We have reviewed our significant revenue streams and identified the required changes to our revenue recognition policies. Based on our existing customer contracts and relationships, we do not expect the implementation of the new guidance will have a material impact on our consolidated financial statements upon adoption. The Company’s evaluation of the impact could change if we enter into new revenue arrangements in the future or interpretations of the new guidance further evolve.

While not expected to be material, the more significant changes to the Company’s revenue recognition policies are in the following areas:

- For television and film content licensing agreements with multiple availability windows with the same licensee, the Company will defer more revenues to future windows than is currently deferred.
- For licenses of character images, brands and trademarks subject to minimum guaranteed license fees, we currently recognize the difference between the minimum guaranteed amount and actual royalties earned from licensee merchandise sales (“shortfalls”) at the end of the contract period. Under the new guidance, projected guarantee shortfalls will be recognized straight-line over the license period remaining once an expected shortfall is identified.
- For licenses that include multiple television and film titles subject to minimum guaranteed license fees, the Company will recognize an allocation of the minimum guaranteed license fee as each title is made available to the customer. Under current guidance, guarantee shortfalls for licenses of multiple titles are deferred to the end of the contract period.
- For renewals or extensions of license agreements for television and film content, we will recognize revenue when the licensed content becomes available under the renewal or extension, instead of when the agreement is renewed or extended.

We are continuing our assessment of potential changes to our disclosures under the new guidance.

The guidance may be adopted either by restating all years presented in the Company’s financial statements for fiscal 2019, 2018 and 2017 (full retrospective method) or by recording the impact of adoption as an adjustment to retained earnings at the beginning of fiscal 2019 (modified retrospective method). The Company currently expects to adopt the standard using the modified retrospective method.

The Company’s equity method investees are considered private companies for purposes of applying the new guidance and are not required to adopt the new standard until fiscal years beginning after December 15, 2018. We have not yet assessed the impact of the new rules on our equity investees.

QUARTERLY FINANCIAL SUMMARY
(in millions, except per share data)

(unaudited)	Q1	Q2	Q3	Q4
2017				
Revenues	\$ 14,784	\$ 13,336	\$ 14,238	\$ 12,779
Segment operating income ⁽⁵⁾	3,956	3,996	4,011	2,812
Net income	2,488	2,539	2,474	1,865
Net income attributable to Disney	2,479	2,388	2,366	1,747
Earnings per share:				
Diluted	\$ 1.55	\$ 1.50	\$ 1.51 ⁽³⁾	\$ 1.13 ⁽⁴⁾
Basic	1.56	1.51	1.51	1.14
2016				
Revenues	\$ 15,244	\$ 12,969	\$ 14,277	\$ 13,142
Segment operating income ⁽⁵⁾	4,267	3,822	4,456	3,176
Net income	2,910	2,276	2,712	1,892
Net income attributable to Disney	2,880	2,143	2,597	1,771
Earnings per share:				
Diluted	\$ 1.73 ⁽¹⁾	\$ 1.30 ⁽²⁾	\$ 1.59 ⁽³⁾	\$ 1.10 ⁽⁴⁾
Basic	1.74	1.31	1.60	1.10

- (1) Results for the first quarter of fiscal 2016 included the Vice Gain, which had a favorable impact of \$0.13 on earnings per diluted share (see Note 1 to the Consolidated Financial Statements), partially offset by restructuring and impairment charges, which had an adverse impact of \$0.03 on diluted earnings per share.
- (2) Results for the second quarter of fiscal 2016 included the Infinity Charge, which had an adverse impact of \$0.06 on diluted earnings per share (See Note 1 to the Consolidated Financial Statements).
- (3) Results for the third quarter of fiscal 2017 included a charge, net of committed insurance recoveries, incurred in connection with the settlement of litigation, which had an adverse impact of \$0.07 on diluted earnings per share. Results for the third quarter of fiscal 2016 included restructuring and impairment charges, which had an adverse impact of \$0.03 on diluted earnings per share.
- (4) Results for the fourth quarter of fiscal 2017 included a non-cash net gain in connection with the acquisition of a controlling interest in BAMTech, which had a favorable impact of \$0.10 per diluted earnings per share (see Note 3 to the Consolidated Financial Statements), partially offset by restructuring and impairment charges, which had an adverse impact of \$0.04 per diluted earnings per share. Results for the fourth quarter of fiscal 2016 included an adjustment to the Infinity Charge taken in the second quarter, which had a favorable impact of \$0.01 per diluted earnings per share, partially offset by restructuring and impairment charges, which had an adverse impact of \$0.01 per diluted earnings per share.
- (5) Segment operating results reflect earnings before the Infinity Charge, corporate and unallocated shared expenses, restructuring and impairment charges, other expense, interest income/(expense), income taxes and noncontrolling interests. Segment operating income includes equity in the income of investees except for the Vice Gain.

**DISNEY
SAVINGS AND INVESTMENT PLAN**

As Amended and Restated

Effective

January 1, 2015

(With Amendments Adopted Through December 2015)

**DISNEY SAVINGS
AND INVESTMENT PLAN
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PREAMBLE

DISNEY SAVINGS AND INVESTMENT PLAN

The Disney Salaried Savings and Investment Plan (the “Plan”) was originally adopted, effective May 1, 1984, by The Walt Disney Company (“Company”) by authorization of the Board of its predecessor, Walt Disney Productions, to provide a retirement savings vehicle for certain salaried employees of the Company and such other participating companies as approved by the Company as described in Section 12.03. The Plan was amended thereafter from time to time and was renamed the Disney Savings and Investment Plan effective February 1, 2007.

The Plan has been amended from time to time and is hereby amended and restated effective January 1, 2015 (the “Effective Date”), unless a particular provision specifies a different effective date. This restatement of the Plan incorporates all amendments to the Plan adopted through December 2015 and supersedes the most recent prior restatement of the Plan effective January 1, 2010.

The Plan is intended to qualify as a profit sharing plan with a cash or deferred arrangement under Sections 401(a) and 401(k) of the Internal Revenue Code (“Code”). Although the Plan is intended to qualify as a profit sharing plan, employer contributions hereunder may be made without regard to profits. In addition, the Company Stock ESOP Fund is intended to qualify as an employee stock ownership plan, within the meaning of Section 4975(e)(7) of the Code.

Pursuant to Article 12, the Company shall have the right to amend or terminate the Plan at any time without notice to the Participants or Beneficiaries if the Company so decides in its sole and absolute discretion.

The provisions of this restatement of the Plan shall apply to employees who terminate employment with the employers on or after the Effective Date. Except as specifically provided otherwise in this document or required by law, a former employee’s eligibility for benefits and the amount of benefits, if any, payable to or on behalf of a former employee shall be determined in accordance with the provisions of the Plan in effect on the date his employment terminated. In general, the rights and benefits of an employee included under the Plan in accordance with the following provisions shall not be affected by the terms of any amendment to the Plan adopted after such employee’s employment

terminates, unless required by law or the amendment expressly provides otherwise. Notwithstanding the Effective Date of this restatement of the Plan:

1. Article 4 (*Allocations to Participants' Accounts*), Article 6 (*Investment Elections and Voting of Company Stock*), Article 9 (*Administration of Plan*), Article 10 (*Management of Funds*), Article 11 (*Assignments and Liens*), Article 12 (*Amendment, Merger and Termination*) with the exception of Section 12.03 (*Additional Participating Employers*), and Article 15 (*General Provisions*) shall apply to all employees and former employees (to the extent appropriate) who are Participants on or after the Effective Date;
2. An employee's or former employee's eligibility for and amount of contributions allocated with respect to Plan Years beginning before the Effective Date shall not be affected by the provisions of this restatement of the Plan, except as expressly provided herein;
3. The provisions of Section 8.03 (*Distributions on Account of Termination of Employment*), Section 8.05 (*Method of Payment for Eligible Rollover Distributions*), Section 8.06 (*Recapture of Payments*), Section 8.07 (*Age 59-1/2 Withdrawals*), and Section 8.08 (*Required Minimum Distributions*) shall apply, as appropriate, to distributions that occur under the Plan on or after the Effective Date; and
4. Amendments to the Plan shall be effective as of (a) the dates set forth in the instruments adopting the amendments (including any prior amendment to or restatement of the Plan) or (b) the dates specified in the particular provision of this restatement of the Plan affected by such amendment (or as of the Effective Date if not specified).

To the extent applicable, beneficiary designation forms, qualified domestic relations orders, and any other administrative forms or orders on file with the Committee with respect to Participants and Beneficiaries under the Plan as in effect before the Effective Date shall continue in full force and effect under the Plan on and after the Effective Date, subject to the right of such Participants to change such designations and elections in accordance with Plan terms.

ARTICLE 1

Definitions

- 1.01** “**ABC Employee**” means an Employee who is employed by ABC, Inc. or any subsidiary or affiliate of ABC, Inc. that is an Employer.
- 1.02** “**Adjustment Factor**” means any of the cost of living adjustment factors prescribed by the Secretary of the Treasury under Section 415(d) of the Code applied to such items and in such manner as the Secretary shall provide.
- 1.03** “**Affiliated Employer**” means any company not participating in the Plan that is:
- (a) a member of a controlled group of corporations as defined in Section 414(b) of the Code (determined under Code Section 1563(a) without regard to Code Sections 1563(a)(4) and (e)(3)(C)) with the Company; or
 - (b) any trade or business under common control (as defined in Code Section 414(c)) with the Company; or
 - (c) a member of an affiliated service group (as defined in Code Section 414(m)) that includes the Company; or
 - (d) any other entity required to be aggregated with the Company pursuant to Treasury regulations under Code Section 414(o).

Notwithstanding the foregoing, for purposes of Section 14.05, the definitions in Sections 414(b) and (c) of the Code shall be modified by substituting the phrase “more than 50 percent” for the phrase “at least 80 percent” each place it appears in Section 1563(a)(1) of the Code.

- 1.04** “**After-Tax Account**” means the account maintained for a Participant to record his after-tax contributions made to the Plan prior to January 1, 1987 and adjustments relating thereto.

- 1.05 “Aggregate Account” or “Account”** means the records, including subaccounts, maintained by the Committee in the manner provided hereunder to determine the interest of each Participant in the assets of the Plan and may refer to any or all of the accounts that a Participant may have under this Plan, namely a Tax-Deferred Account, a Matching Account, an Automatic Contribution Account, a Rollover Account, a Special Account, an After-Tax Account or a Roth Account.
- 1.06 “Alternate Payee”** means any Spouse, former Spouse, child or other dependent of a Participant who is recognized by a qualified domestic relations order as having a right to receive all, or a portion, of the benefits payable under the Plan with respect to a Participant.
- 1.07 “Authorized Leave of Absence”** means an absence authorized by an Employer or an Affiliated Employer under its standard personnel practices as applied in a uniform and nondiscriminatory manner to all persons similarly situated, provided that the Employee resumes employment with the Employer or an Affiliated Employer or retires within the period specified in the Authorized Leave of Absence. An Employer or an Affiliated Employer is not required to authorize any absence due to a strike, a walkout or a lockout as an Authorized Leave of Absence. An absence due to service in the Uniformed Services of the United States shall be considered an Authorized Leave of Absence provided that the Employee complies with all of the requirements of federal law in order to be entitled to reemployment and provided further that the Employee returns to employment with an Employer or an Affiliated Employer within the period provided by such law.
- 1.08 “Automatic Contribution”** means the Employer Automatic Contribution made to the Plan on behalf of a Participant pursuant to Section 3.09.
- 1.09 “Automatic Contribution Account”** means the account maintained for a Participant to record Automatic Contributions made on his behalf pursuant to Section 3.09 and adjustments relating thereto.

1.10 “Beneficiary” means any person, persons or entity named by a Participant by written designation filed with the Committee to receive benefits payable in the event of the Participant’s death, provided that if the Participant is married and he designates someone other than his Spouse as the Beneficiary, the Participant must file a Spousal Consent with the Committee. If any Participant fails to designate a Beneficiary, or if the Beneficiary designated by a deceased Participant dies before the Participant, then the Beneficiary shall be deemed to be the Participant’s surviving Spouse or, if none, then the Beneficiary shall be determined in accordance with the following order of priority:

- (a) the Participant’s domestic partner (determined in accordance with procedures prescribed by the Committee), or if none;
- (b) the Participant’s natural and legally-adopted children (equally), or if none;
- (c) the Participant’s parents (equally), or if none;
- (d) the Participant’s brothers and sisters (equally), or if none;
- (e) the Participant’s estate.

1.11 “Board” or “Board of Directors” means the Board of Directors of The Walt Disney Company.

1.12 “Break in Service” means an Eligibility Computation Period during which an Employee is credited with less than 501 Hours of Service. Solely for the purpose of determining if an Employee incurred a Break in Service, Hours of Service shall also include hours granted, on the basis of forty-five (45) hours per week, for periods during which an Employee is on an Authorized Leave of Absence.

Notwithstanding the foregoing and solely for the purpose of determining whether a Break in Service has occurred, an Employee shall be credited with up to 501 Hours of Service during a period of absence by reason of:

- (a) The Employee’s pregnancy;
- (b) The birth of a child of the Employee;

- (c) The placement of a child with the Employee in connection with the Employee's adoption of such child;
- (d) The caring for such child for a period beginning immediately following such birth or placement; or
- (e) The Employee's own illness or caring for his Spouse or a member of his immediate family pursuant to the Family and Medical Leave Act of 1993 and regulations thereunder.

Hours of Service credited by reason of the above period of absence shall be credited in the Plan Year in which the absence occurs if those Hours of Service are needed to prevent a Break in Service in that year; otherwise, they shall be credited in the immediately following Plan Year. Such Hours of Service shall be equal to the normal number of Hours of Service that would have been credited to the Employee but for the above period of absence; however, in no event shall more than 501 Hours of Service be credited. The Committee may require that an Employee file a written request to receive credit for Hours of Service under this paragraph. Unless otherwise determined by the Committee or an Employer's personnel practices, an Employee who is absent from work for the reasons described in this paragraph shall be deemed to have terminated employment for all purposes of this Plan other than the special Break in Service rule in this paragraph.

1.13 “**Code**” means the Internal Revenue Code of 1986, as amended.

1.14 “**Committee**” means the Investment and Administrative Committee of The Walt Disney Company Sponsored Qualified Benefit Plans and Key Employees Deferred Compensation and Retirement Plan.

1.15 “**Company**” means The Walt Disney Company and its successors.

1.16 “**Company Stock**” means common stock of the Company.

- 1.17 Company Stock ESOP Fund**” means the Investment Fund established and maintained pursuant to Section 6.01(a)(i)(A)(I).
- 1.18 “Company Stock Non-ESOP Fund**” means the Investment Fund established and maintained pursuant to Section 6.01(a)(i)(A)(II).
- 1.19 “Compensation”** means an Employee’s base pay (excluding overtime, bonuses, relocation reimbursement, stock options, incentive compensation, profit participation, compensation for extended work week, or other extraordinary payments, as determined by the Committee) and an ABC Employee’s commissions and sales bonuses paid during the calendar year by the Employer in return for the Employee’s services. Except, for an ABC Employee who is represented by a collective bargaining representative, “Compensation” means the amount of covered compensation prescribed by the collective bargaining agreement with the Employer pursuant to which he is treated as a Covered Employee. Compensation does not include:
- (a) Employer contributions to any pension plan other than contributions caused by an Employee’s salary deferral reduction pursuant to Section 401(k) of the Code;
 - (b) Employer contributions to this Plan or any other plan of deferred compensation maintained by an Employer other than Tax-Deferred Contributions;
 - (c) Fringe benefits not taxable to the Employee (other than an elective qualified transportation fringe arrangement described in Code Section 132(f)(4));
 - (d) Payments to or on behalf of an individual after he is no longer an Employee;
 - (e) Imputed life insurance and all other forms of imputed income (for example, but not by way of limitation, income based on the value of health care coverage for the Employee’s domestic partner, regardless of whether the Employee is permitted to exclude such amount from taxable gross income);
 - (f) Back pay; and
 - (g) .Any Compensation in lieu of unused vacation and/or sick pay.

Except as provided otherwise in Article 3, Compensation shall not, for Plan purposes, exceed the Maximum Compensation Limitation.

1.20 “Covered Employee” means:

- (a) For an Employee who is not an ABC Employee:
 - (i) Except as provided in (ii) or (iii) below, an Employee of an Employer who receives Compensation in the form of a salary (as distinguished from hourly-paid Employees), whether or not such Employee is exempt for wage-and-hour-law purposes.
 - (ii) If employed by Magical Cruise Company, Limited, an Employee must be a salaried Employee as described in (i), a United States citizen, an officer of Magical Cruise Company, Limited, and not eligible for additional overtime when working over 70 hours in a week.
 - (iii) If employed by DCL Island Development, Ltd., an Employee must be a salaried Employee as described in (i) and either a United States citizen or holder of a valid Green Card issued by U.S. Citizenship and Immigration Services (or any successor agency).

Notwithstanding the above, an Employee described in any of the following paragraphs shall not be a Covered Employee, except to the extent the Company elects, by a written notice, to extend Plan participation to such Employee:

- (A) an Employee who is covered by a collective bargaining agreement, unless the applicable collective bargaining agreement specifically provides for coverage by the Plan;
- (B) an Employee who is employed by an Employer pursuant to an oral or written agreement that provides that the individual shall not be eligible to participate in the Plan;

- (C) an Employee who is a “Leased Employee” (determined, for this purpose, without regard to the requirement that services be performed for at least one year);
- (D) an Employee who is a non-resident alien with no United States source income; and
- (E) an Employee designated by an Employer as employed in a division or group, or at a site that the Employer determined, on a nondiscriminatory basis, shall not be eligible to participate in the Plan.

(b) For an ABC Employee, an Employee who is a regular Full-Time Employee or a regular Part-Time Employee and who is remunerated in U.S. currency, except that an ABC Employee described by any of the following paragraphs shall not be a Covered Employee:

- (i) an Employee who is covered by a collective bargaining agreement, unless the applicable bargaining agreement specifically provides for coverage by the Plan; or
- (ii) an Employee if at the time of the adoption of the Plan by his Employer, or thereafter, the Employer elects to exclude some or all employees described in Section 410(b)(3)(C) of the Code and the Employee is excluded from the Plan by reason of such election; or
- (iii) an individual who is employed as a “daily hire” which means, for purposes of this paragraph (iii) and subject to the provisions of applicable collective bargaining agreements, an Employee who is hired by his Employer on a day to day basis, usually for a one-day assignment; or
- (iv) an individual who is hired for what is intended by his Employer to be a temporary period for a position in connection with a special event, such as Olympics coverage or Presidential election coverage; or

- (v) an individual who is hired in a position for a specific prime time program or series produced by the Entertainment Division of the ABC Television Network; or
- (vi) an individual who is employed pursuant to an agreement that provides that the individual shall not be eligible to participate in the Plan; or
- (vii) an individual who is not classified as an employee by the Employer, but who is treated as an Employee by reason of being treated as a “common law” employee of the Employer pursuant to the standards prescribed by Internal Revenue Service Revenue Ruling 87-41 or any successor thereto; or
- (viii) an Employee who is an Employee by reason of being treated as a Leased Employee (determined, for this purpose, without regard to the requirement that services be performed for at least one year); or
- (ix) an Employee whose basic compensation for services on behalf of the Employer is not paid directly by the Employer; or
- (x) an Employee of any division, unit, or department designated by the Employer to be a non-participating division, unit, or department; or
- (xi) an hourly-paid Employee who is not covered by a collective bargaining agreement.

Notwithstanding the provisions of paragraphs (iv) and (v) above, an ABC Employee described in either of said paragraphs shall be treated as a Covered Employee to the extent that the terms of a collective bargaining agreement to which his Employer is a party require the Employee to be treated as a Covered Employee. Expiration of a collective bargaining agreement shall not by itself affect an Employee’s status as a Covered Employee pending execution of a new

collective bargaining agreement. For purposes of this subsection (b), a “Full-Time Employee” means an ABC Employee who is designated as full-time by his Employer under standards uniformly applied to similarly situated employees and a “Part-Time Employee” is an ABC Employee who is not a Full-Time Employee, including an ABC Employee who is designated as “casual” by his Employer.

- (c) For purposes of this definition of “Covered Employee,” and notwithstanding any other provisions of the Plan to the contrary, individuals who are not classified by the Company, in its discretion, as employees under Code Section 3121(d) (including but not limited to, individuals classified by the Company as independent contractors and non-employee consultants) and individuals who are classified by the Company, in its discretion, as employees of any entity other than the Company or an Affiliated Employer do not meet the definition of Covered Employee and are ineligible for benefits under the Plan, even if the classification by the Company is determined to be erroneous, or is retroactively revised. In the event the classification of an individual who is excluded from the definition of Covered Employee under the preceding sentence is determined to be erroneous or is retroactively revised, the individual shall nonetheless continue to be excluded from the definition of Covered Employee and shall be ineligible for benefits for all periods prior to the date the Company determines its classification of the individual is erroneous or should be revised. The foregoing sets forth a clarification of the intention of the Company regarding participation in the Plan for any Plan Year, including Plan Years prior to the amendment of this definition of “Covered Employee.”

1.21 “Effective Date” means January 1, 2015, the date this amended and restated Plan becomes effective. The Plan was originally effective May 1, 1984.

1.22 “Eligibility Computation Period” means, with respect to an Employee, the applicable of (a) or (b) as follows:

- (a) the 12-consecutive-month period commencing on the Employee’s Employment Commencement Date in which he is credited with at least 1,000 Hours of Service; or

- (b) in the case of an Employee who is not credited with at least 1,000 Hours of Service in the 12-month period described in Section 1.22(a) above, a Plan Year, commencing with the Plan Year beginning immediately following the Employee's Employment Commencement Date, in which he has been credited with at least 1,000 Hours of Service.

An Employee's Eligibility Computation Periods are subject to and may be ignored pursuant to the Rule of Parity.

Notwithstanding the foregoing, individuals who (i) became Employees as a result of the acquisition of Anaheim Property, Inc. (d.b.a.) as Pan Pacific Hotel Anaheim or the entity commonly known as the California Angeles, or (ii) were employees of Carlson Travel dedicated to the Disney account who became Employees as a result of an immediate transfer from Carlson Travel shall be deemed to have completed one Eligibility Computation Period on their Employment Commencement Date, provided that they had completed a least one year of prior service with their relevant employers on such date.

1.23 **"Eligible Employee"** means a Covered Employee who has attained age eighteen (18) and has reached the ninetieth (90th) day following his Employment Commencement Date; provided, however, that the requirement that the Covered Employee attain age eighteen (18) shall not apply to an ABC Employee and the requirement that the Covered Employee has reached the ninetieth (90th) day following his Employment Commencement Date shall not apply to ESPN Regular Remote Employees.

1.24 **"Employee"** means any person receiving Compensation for services rendered to an Employer or an Affiliated Employer, whose Compensation is subject to withholding of United States federal income tax and/or for whom Social Security contributions are made by an Employer or an Affiliated Employer, including any Leased Employee but excluding any person who serves solely as a director or independent contractor. In determining whether an individual is an Employee for purposes of the Plan, the individual shall only be classified as an Employee with respect to a period of time only if the Employer or Affiliated Employer treated the individual as a common law employee for payroll tax purposes for such period

of time, regardless of any later determination that such individual was or may have been a common law employee during such period. Notwithstanding the foregoing, a Leased Employee, although not treated as a common law employee for payroll tax purposes by an Employer or an Affiliated Employer, shall be considered an Employee under the Plan.

Employee excludes the following:

- (a) an individual who serves solely as a director or independent contractor or an individual whom the Employer or Affiliated Employer regards to be an independent contractor;
- (b) an individual who is not classified as an Employee by an Employer or Affiliated Employer, but who is treated as an Employee by reason of being treated as a “common law” employee of the Employer or Affiliated Employer pursuant to the standards prescribed by Internal Revenue Service Ruling 87-41 or any successor thereto;
- (c) an individual whose basic compensation for services on behalf of an Employer or Affiliated Employer is not paid directly by an Employer or Affiliated Employer; and
- (d) an individual working for a company providing goods or services (including temporary employee services) to an Employer or Affiliated Employer whom the Employer or Affiliated Employer does not regard to be a common law employee of the Employer or Affiliated Employer.

1.25 “Employer” means the Company and any subsidiary or affiliate of the Company that adopts this Plan in accordance with Section 12.03.

1.26 “Employment Commencement Date” means, subject to any applicable Appendix, the first date as of which an Employee is credited with an Hour of Service for an Employer or an Affiliated Employer. For an Employee of an entity that first becomes an Affiliated Employer on or after December 3, 2007, the first date as of which the Employee is credited with an Hour of Service shall be determined taking into account hours of service with such entity

(determined under Section 1.30 as if the entity had been at all times an Affiliated Employer), but only if the Board of Directors or the Committee has not determined in advance that service with such entity will not be credited for this purpose.

1.27 “Enrollment Date” means the first day of the first payroll period after an Employee becomes an Eligible Employee, or the beginning of any payroll period thereafter, as of which the Eligible Employee elects to commence participation in the Plan in accordance with Section 2.02.

1.28 “ERISA” means the Employee Retirement Income Security Act of 1974, as amended.

1.29 “Highly Compensated Employee” means for any Plan Year, any Employee of the Employer or an Affiliated Employer (whether or not eligible for participation in the Plan) who:

- (a) was a 5 percent owner (as defined in Section 414(q)(2) and Section 416(i) of the Code) for such Plan Year or the prior Plan Year, or
- (b) for the preceding Plan Year received Statutory Compensation in excess of \$115,000 (which is the dollar amount in effect for the Plan Year immediately preceding the Plan Year beginning on the Effective Date), and was among the highest 20 percent of employees for the preceding Plan Year when ranked by Statutory Compensation paid for that year, excluding, for purposes of determining the number of such employees, such Employees as the Committee may determine on a consistent basis pursuant to Section 414(q) of the Code. The \$115,000 dollar amount in the preceding sentence shall be adjusted from time to time for the cost of living in accordance with Section 414(q) of the Code.

Notwithstanding the foregoing, Employees who are nonresident aliens and who receive no earned income from the Employer or an Affiliated Employer that constitutes income from sources within the United States shall be disregarded for all purposes of this Section. In addition, when the highest-paid 20 percent of employees for the preceding Plan Year are determined, Employees of acquired Employers and Affiliated Employers for which the

transition period described in Section 410(b)(6)(C) of the Code has not ending shall be disregard.

The Employer's top-paid group election as described above shall be used consistently in determining Highly Compensated Employees for determination years of all employee benefit plans of the Employer and Affiliated Employers to which Section 414(q) of the Code applies (other than a multiemployer plan) that begin with or within the same calendar year, until such election is changed by Plan amendment in accordance with IRS requirements. The provisions of this Section shall be further subject to such additional requirements as shall be described in Section 414(q) of the Code and its applicable regulations, which shall override any aspects of this Section inconsistent therewith.

1.30 “Hour of Service” means, with respect to any applicable computation period:

- (a) each hour for which an Employee is paid or is entitled to payment for the performance of duties for an Employer or an Affiliated Employer during the applicable computation period;
- (b) each hour for which an Employee is paid, or is entitled to payment, by an Employer or an Affiliated Employer on account of a period during which no duties are performed (regardless of whether the employment relationship has terminated) because of vacation, holiday, illness, incapacity (including disability), layoff, jury duty, military duty, or leave of absence, but:
 - (i) no more than 501 Hours of Service are to be credited under this subsection (b) to an Employee for any single continuous period during which he performs no duties (whether or not the period occurs in a single computation period);
 - (ii) an hour is not credited where an individual directly or indirectly is paid or is entitled to payment because of a period during which no duties are performed if that payment is made or is due under a plan maintained solely

for the purpose of complying with applicable workers' compensation or unemployment compensation or disability insurance laws; and

- (iii) Hours of Service will not be credited for a payment that solely reimburses an Employee for medical or medically related expenses incurred. For purposes of this subsection (b), a payment is deemed to be made by or be due from an Employer or an Affiliated Employer regardless of whether it is made by or due from that entity directly or indirectly through a trust fund or insurers (among others) to which that entity contributes or pays premiums and regardless of whether contributions made or due to the trust fund or insurer or other funding vehicle are for the benefit of particular individuals or are on behalf of a group of individuals in the aggregate.
- (c) each hour for which back pay, irrespective of mitigation of damages, is either awarded or agreed to by an Employer or Affiliated Employer. The same Hours of Service must not be credited both under subsection (a) or (b) and also under this subsection (c). Thus, for example, if an Employee receives a back-pay award following a determination that he was paid at an unlawful rate for Hours of Service previously credited, he is not entitled to additional credit for the same Hours of Service. Crediting of Hours of Service for back pay awarded or agreed to with respect to periods described in subsection (b) is subject to the limitations set forth in that subsection. For example, no more than 501 Hours of Service are required to be credited for payment of back pay, to the extent that the back pay is awarded or agreed to for a period of time during which an Employee did not or would not have performed duties.
- (d) For determining Hours of Service for reasons other than the performance of duties, the special rule provided in 29 C.F.R. Section 2530.200b-2(b) is incorporated by reference. That rule provides that Hours of Service are credited on the basis of the number of hours in the Employee's regular work schedule or, in the case of a payment not calculated in units or time, by dividing the payment in question by the Employee's most recent hourly rate of pay.

- (e) For purposes of crediting Hours of Service to computation periods, the special rule provided in 29 C.F.R. Section 2530.200b-2(c) is incorporated by reference. That rule provides that Hours of Service are credited to an Employee in the computation periods covered by the Employee's regular work schedule during the period of nonperformance.
- (f) The determination of Hours of Service must be made from records of hours worked and hours for which payment is made or due.
- (g) For purpose of determining Hours of Service credited each Employee must be credited with at least forty-five (45) Hours of Service for each week for which he would be required to be credited with at least one Hour of Service under subsection (a).
- (h) Hours of Service credit for a period of "qualified military service" shall be determined in accordance with Section 2.04.

1.31 "Income" means the net gain or loss of the Trust Fund from investments, as reflected by interest payments, dividends, realized and unrealized gains and losses on securities, other investment transactions and expenses paid from the Trust Fund. In determining the Income of the Trust Fund as of any date, assets shall be valued on the basis of their then fair market value.

1.32 "Investment Fund" means the one or more investment funds provided pursuant to Section 6.01(a) hereof.

1.33 "Leased Employee" means any person (other than a person treated as a common law employee of the Employer or Affiliated Employer) who, pursuant to an agreement between the Employer or Affiliated Employer and any other person ("leasing organization"), performed services for the Employer or Affiliated Employer or any related persons determined in accordance with Section 414(n)(6) of the Code on a substantially full-time basis for a period of at least one year (i.e., has completed at least 1,500 Hours of Service in the initial 12 consecutive months services were performed or during any Plan Year that

begins during or after such initial year) and such services are performed under the primary direction of or control by the Employer or Affiliated Employer. In the case of any person who is a Leased Employee before or after a period of service as an Employee, the entire period during which he performed services as a Leased Employee shall be counted as service as an Employee for all purposes of the Plan, except that he shall not, by reason of that status, become a Participant of the Plan.

- 1.34** “**Matching Account**” means the account maintained for a Participant to record Matching Contributions made on his behalf pursuant to Section 3.02 and adjustments relating thereto.
- 1.35** “**Matching Contribution**” means the Employer Matching Contribution made to the Plan on behalf of a Participant pursuant to Section 3.02.
- 1.36** “**Maximum Compensation Limitation**” means \$265,000 as of the Effective Date, adjusted thereafter for cost-of-living increases in accordance with Code Section 401(a)(17)(B). Annual Compensation means compensation during the Plan Year or such other consecutive 12-month period over which compensation is otherwise determined under the Plan (the determination period). The cost-of-living adjustment in effect for a calendar year applies to annual compensation for the determination period that begins with or within such calendar year.
- 1.37** “**Participant**” means any individual on whose behalf any Accounts are maintained under the Plan, the balance of which has not been distributed in full to him or his Beneficiary.
- 1.38** “**Plan**” means the Disney Savings and Investment Plan (the “Disney Salaried Savings and Investment Plan” before February 1, 2007) as set forth in this document, and as it may be amended from time to time.
- 1.39** “**Plan Year**” means the calendar year, except for the short year from May 1, 1984 through December 31, 1984, which was the first year of the Plan.
- 1.40** “**Qualified Domestic Relations Order**” means a domestic relations order that creates or recognizes the existence of an Alternate Payee’s right to, or assigns to an Alternate Payee the right to, receive all or portion of the benefits payable with respect to a Participant.

The order must (a) be a judgment, decree or order (including the approval of a property settlement agreement) that is made pursuant to a state domestic relations law, (b) relate to the provision of child support, alimony payments or marital property rights for the benefit of a Spouse, former Spouse, child, or other dependent of the Participant, and (c) otherwise meets the requirements of Section 206(d)(3) of ERISA and Section 414(p) of the Code, as determined by the Committee.

- 1.41 “Reemployment Commencement Date”** means the date an Employee first is credited with an Hour of Service following a prior Break in Service.
- 1.42 “Rollover Account”** means the account maintained for a Participant to record his Rollover Contributions to the Trust Fund pursuant to Section 3.05 and adjustments relating thereto.
- 1.43 “Rollover Contribution”** means a Rollover Contribution made to the Plan by a Participant pursuant to Section 3.05.
- 1.44 “Roth Account”** means the account maintained for a Participant to record contributions made on his behalf by an Employer pursuant to a Roth Contribution agreement described in Section 3.08, any rollover Roth amounts accepted by the Plan pursuant to Section 3.05(b), and adjustments relating to Roth Contributions or rollover Roth amounts.
- 1.45 “Roth Contributions”** means an Employer’s contribution made to the Plan on behalf of a Participant pursuant to a Roth Contribution agreement described in Section 3.08.
- 1.46 “Rule of Parity”** means a rule pursuant to which an Employee who incurs a Break in Service shall have his Eligibility Computation Periods that occur prior to such Break in Service ignored or restored. If an Employee incurs a Break in Service prior to becoming eligible to participate hereunder, his Eligibility Computation Periods prior to such Break in Service shall not be taken into account if the number of consecutive one-year Breaks in Service equals or exceeds the greater of the Employee’s Eligibility Computation Periods completed prior to the first such Break in Service or five. Eligibility Computation Periods previously eliminated by a prior application of this Section 1.46 shall not be counted for purposes of this Section 1.46.

- 1.47 “Section 402(g) Limit”** means for any calendar year, the dollar limitation contained in Code Section 402(g) in effect for such calendar year.
- 1.48 “Special Account”** means the account maintained for a Participant to record Special Contributions made on his behalf pursuant to Section 3.03, and adjustments relating thereto.
- 1.49 “Special Contribution”** means the Employer Special Contribution made to the Plan on behalf of a Participant pursuant to Section 3.03.
- 1.50 “Spousal Consent”** means written consent given by a Participant’s Spouse to an election made by the Participant of a specified form of benefit or a designation by the Participant of a specified Beneficiary other than the Spouse. The specified form or specified beneficiary shall not be changed unless further Spousal Consent is given, unless the Spouse expressly waives the right to consent to any future changes. Spousal Consent shall be duly witnessed by a Plan representative or notary public and shall acknowledge the effect on the Spouse of the Participant’s election. The requirement for Spousal Consent may be waived by the Committee if it is established to its satisfaction that there is no Spouse, or that the Spouse cannot be located, or because of such other circumstances as may be established by applicable law. Spousal Consent shall be applicable only to the particular Spouse who provides such consent.
- 1.51 “Spouse”** means any person married to a Participant if (and only if) the marriage to that individual was legal and valid when it was entered into, under the laws of the jurisdiction where it was entered into. The term “Spouse” also shall include a former Spouse of a Participant to the extent required by a Qualified Domestic Relations Order. A Spouse does not include a domestic partner through civil union or other similar formal relationship that is not treated as marriage under applicable law.
- 1.52 “Statutory Compensation”** means “compensation” actually paid or made available to the Participant (or includable in the gross income of the Participant) by the Employer or an Affiliated Employer, where “compensation” includes the items described in Treas. Reg. §

1.415(c)-2(b)(1) and (2), but excludes the items described in Treas. Reg. § 1.415(c)-2(c). Statutory Compensation includes amounts that would otherwise be included in compensation as described in the immediately preceding sentence but for an election under Code Sections 125(a), 132(f)(4), 402(e)(3), 402(h)(1)(B), 402(k), or 457(b); provided, however, that amounts not included in income under Section 125 of the Code include any amount not available to a Participant in cash in lieu of group health coverage because the Participant is unable to certify that he has other health coverage, but only if the Employer or Affiliated Employer does not otherwise request or collect information regarding the Participant's other health coverage as part of the enrollment process for the health plan. Notwithstanding the foregoing, Statutory Compensation shall not include compensation paid or made available to the Participant after the Participant's termination of employment with the Employer or Affiliated Employer, except (I) regular pay (within the meaning of Treas. Reg. § 1.415(c)-2(e)(3)(ii)) that is paid by the later of two and one-half months after the Participant terminates employment or the end of the Plan Year or limitation year (as applicable) in which the Participant terminates employment and (II) differential pay amounts required to be included pursuant to Code Section 414(u)(12).

- 1.53** “**Tax-Deferred Account**” means the account maintained for a Participant to record contributions made on his behalf by an Employer pursuant to a Tax-Deferred Contribution agreement described in Section 3.01 and adjustments relating thereto.
- 1.54** “**Tax-Deferred Contributions**” means an Employer's contribution made to the Plan on behalf of a Participant pursuant to a Tax-Deferred Contribution agreement described in Section 3.01.
- 1.55** “**Trust Agreement**” means the trust agreement or agreements that may be established from time to time hereunder and as the same may from time to time be amended and/or restated.
- 1.56** “**Trust Fund**” means all money or other property that is held by the Trustee, pursuant to the terms of the Trust Agreement.

- 1.57** “**Trustee**” means the entity or its successor acting as the trustee under the Trust Agreement, or any other trustee or trustees designated in any trust agreement or agreements that may be established to carry out the purposes of this Plan.
- 1.58** “**Valuation Date**” means the date as of which the Trustee shall determine the value of the assets in the Trust Fund for purposes of enabling the Committee or its delegate to determine the value of the Aggregate Accounts.

ARTICLE 2
Eligibility and Participation

2.01 Eligibility

Only Eligible Employees may participate in this Plan.

2.02 Participation

Any individual who was a Participant in the Plan immediately preceding the Effective Date shall be considered a Participant on the Effective Date. Thereafter, an Eligible Employee shall become a Participant as of the first Enrollment Date after he:

- (a) authorizes his Tax-Deferred Contributions in accordance with Section 3.01 or Roth Contributions in accordance with Section 3.08;
- (b) names a Beneficiary; and
- (c) selects investment fund(s) pursuant to Article 6.

The Company may, in its sole and absolute discretion, waive any or all of the participation requirements set forth above for the Employees of any Employer.

2.03 Reemployment of Former Employees and Former Participants

Any person employed by an Employer as an Eligible Employee who was previously a Participant or was previously eligible to become a Participant shall be immediately eligible to become a Participant in the Plan. Any other person reemployed by an Employer may participate in the Plan on meeting the requirements of Section 2.02.

2.04 Special Rules Relating to Veteran's Reemployment Rights Under USERRA

- (a) Notwithstanding any contrary provision of the Plan, the rules of Sections 2.04(d) and 2.04(e) shall apply to any Participant who is reemployed upon return from qualified military service as set forth in Sections 2.04(b) and 2.04(c). It is intended

that contributions, benefits and service credit with respect to qualified military service will be provided in accordance with Code Section 414(u).

- (b) “Qualified military service” means any service in the uniformed services, as defined in chapter 43 of title 38, United States Code, by an individual if the individual is entitled to reemployment rights under chapter 43 with respect to such service.
- (c) A Participant shall be treated as reemployed upon returning to work with an Employer or Affiliated Employer following qualified military service if:
 - i. The Participant did not separate from military service with a disqualifying discharge or under other than honorable conditions;
 - ii. The Participant, or an appropriate officer of the uniformed service, gave the Employer or Affiliated Employer advance notice of his intent to serve (unless prevented by military necessity or impossible or unreasonable under all circumstances);
 - iii. The Participant has five years or less of cumulative qualified military service in his employment relationship with the Employer or Affiliated Employer (excluding any periods that are disregarded when applying the five-year limit under chapter 43 of title 38, United States Code); and
 - iv. The Participant reports for work or submits an application for reemployment with the Employer or Affiliated Employer in a timely manner. Subject to special rules set forth in chapter 43, title 38 of the United States Code for individuals who are hospitalized or convalescing from illness or injury, a reemployment request is timely if the Participant reports for work or submits an application for reemployment to the Employer or Affiliated Employer after his period of qualified military service ends as follows:

Period of Qualified Military Service	Deadline for Report/Submission
Fewer than 31 days or any length if the service was for purposes of fitness examination	The beginning of the first full regularly-scheduled work period on the first full calendar day following completion of the service, and the expiration of 8 hours after a period allowing for safe transportation from the place of that service to the Participant's residence (unless impossible or unreasonable)
31 to 180 days	Within 14 days (unless impossible or unreasonable)
181 days or more	Within 90 days

- (d) In the event this Section 2.04 applies to a Participant:
- (i) The Participant shall not incur a Break in Service by reason of his period of qualified military service.
 - (ii) The Participant's period of absence due to qualified military service shall be included in the determination of his Hours of Service, his status as an Eligible Employee under Section 1.23, and his eligibility for Matching Contributions under Section 3.02(b), as if the Participant had remained employed in the position he held with the Employer or Affiliated Employer before such absence began.
 - (iii) The Participant shall be deemed to have received Compensation during the period of absence due to qualified military service at the rate he would have received Compensation had he remained employed as an Employee for that period or, if such rate is not reasonably certain, on the basis of the Participant's average rate of Compensation during the 12-month period immediately preceding such period of qualified military service (or, if shorter, the period of the Participant's employment as an Employee immediately preceding such period).

- (e) In the event this Section 2.04 applies to a Participant, he shall be permitted to make additional Tax-Deferred Contributions or Roth Contributions as provided in this Section 2.04(e):
- (i) Tax-Deferred Contributions or Roth Contributions made under this Section 2.04(e) must be made within five years (or, if less, three times the length of his most recent period of qualified military service) after his reemployment and while the Participant is an Employee.
 - (ii) The maximum amount of Tax-Deferred Contributions or Roth Contributions that the Participant may make under this Section 2.04(e) is the maximum amount of Tax-Deferred Contributions or Roth Contributions that he would have been permitted to make during the period of absence due to qualified military service if he had continued to be employed by the Employer during such period in the position he held with the Employer immediately before such absence and received Compensation as set forth in Section 2.04(d)(iii). The maximum amount of Tax-Deferred Contributions or Roth Contributions so determined shall be reduced by the amount of any Tax-Deferred Contributions or Roth Contributions actually made by the Participant during his period of absence due to qualified military service.
 - (iii) The Employer shall contribute Matching Contributions that would have been attributable to Tax-Deferred Contributions or Roth Contributions made pursuant to this Section 2.04(e) as soon as practicable after such Tax-Deferred Contributions or Roth Contributions are made.
 - (iv) Contributions made pursuant to this Section 2.04(e):
 - (A) shall not be taken into account for purposes of the Section 402(g) Limit and the otherwise applicable limitations under Section 14.05 for the taxable year or limitation year in which the contributions are made;

rather such contributions shall be taken into account for purposes of such limitations for the year to which the contributions relate; and

(B) shall not be taken into account for purposes of the limitations described in Sections 14.02 or 14.03 for any year.

(v) Although Tax-Deferred Contributions, Roth Contributions or Matching Contributions made under to this Section 2.04(e) may relate to a prior period, no investment earnings or losses shall be credited to such contributions prior to the date they are actually made.

(f) In the event a Participant has an outstanding loan under the Plan at the time a period of qualified military service begins, the rules set forth in Section 7.02(e) shall apply.

(g) In accordance with Code Section 401(a)(37) and guidance issued thereunder, the survivors of a Participant who dies while performing qualified military service shall be eligible for any additional benefits (other than additional contributions related to the period of qualified military service) that would have been provided under the Plan if the Participant had resumed employment as described in Section 2.04(c) and immediately thereafter terminated employment due to death.

(h) To the extent required by Code Section 414(u)(12) and guidance issued thereunder, an individual receiving differential wage payments (within the meaning of Code Section 3401(h)(2)) from the Employer or an Affiliated Employer shall be treated as an employee and the differential wage payments shall be treated as compensation.

(i) The following distribution options are available to Participants (including Participants who have terminated employment) who are absent from work due to military service:

(i) A Participant who, by reason of being a member of a reserve component (as defined in section 101 of title 37, United States Code), is ordered or called

to active duty after September 11, 2001 for a period in excess of 179 days or for an indefinite period may elect a distribution of all or part of his Tax-Deferred Account and Roth Account in the form of a lump sum. Such election may be made, in the form and manner prescribed by the Committee, at any time during the period beginning on the date of such order or call (or January 1, 2009 if later) and ending at the close of the active duty period.

- (ii) A Participant who is performing service in the uniformed services (as defined in chapter 43 of title 38, United States Code) while on active duty for a period of more than 30 days may elect a distribution of all or part of his Tax-Deferred Account and Roth Account in the form of a lump sum. Such election may be made, in the form and manner prescribed by the Committee, at any time during such active duty period. If a Participant who has not terminated employment receives a distribution under this clause (ii) that is not otherwise permitted under clause (i) above or Section 8.07 of the Plan, the Participant shall be prohibited from making Tax-Deferred Contributions or Roth Contributions under this Plan during the six-month period beginning on the date of the distribution. This clause (ii) is intended to satisfy the requirements of Code Section 414(u)(12) (B) and shall be construed in a manner that will effectuate this intent.

2.05 Transferred Participants

- (a) If a Participant remains in the employ of an Employer or an Affiliated Employer but ceases to be an Eligible Employee, his participation under the Plan shall be suspended, provided, however, that during the period of his employment in such ineligible position:
 - (i) he shall cease to have any right to elect Tax-Deferred or Roth Contributions or to make Rollover Contributions;

- (i) he shall not receive allocations of Matching Contributions, Automatic Contributions, or Special Contributions;
 - (ii) he shall continue to participate in income allocations pursuant to Section 4.02(a); and
 - (iii) the provisions of Articles 6 and 8 shall continue to apply.
- (b) If an Employee again becomes an Eligible Employee, his rights and privileges as an Eligible Employee under this Plan shall be restored. In addition, to the extent applicable, the Employee's Matching Contribution for the Plan Year in which he again becomes an Eligible Employee shall be determined under Section 3.02 after taking into account any tax-deferred, Roth and matching contributions allocated to the Employee for such Plan Year under any qualified defined contribution plan maintained by an Affiliated Employer in which the Employee was participating immediately before he resumed Eligible Employee status.

2.06 Termination of Employment and Termination of Participation

Under this Plan, termination of employment occurs on the date an Employee is no longer employed with an Employer or an Affiliated Employer. An Eligible Employee's participation in the Plan shall terminate on the date he terminates employment, unless the Participant is entitled to benefits under the Plan, in which event his participation shall terminate when those benefits are distributed to him.

ARTICLE 3
Contributions

3.01 Tax-Deferred Contributions

- (a) A Tax-Deferred Contribution represents an agreement by an Eligible Employee with his Employer to accept a reduction in Compensation in consideration of a contribution to the Plan by the Employer on the Participant's behalf in the same amount.

- (b) In accordance with rules that the Committee shall prescribe from time to time, an Eligible Employee may elect to enter into an agreement with his Employer as described in Section 3.01(a) by indicating the amount of Tax-Deferred Contributions he wishes to be contributed by his Employer. Tax-Deferred Contributions shall be subject to the following:
 - (i) Tax-Deferred Contributions may be any whole percentage of a Participant's Compensation (determined without regard to the Maximum Compensation Limitation) between one (1) percent and fifty (50) percent.

 - (ii) Except as provided in Section 2.04 or 3.07, a Participant's Tax-Deferred Contributions for any Plan Year may not exceed the Section 402(g) Limit for the applicable Plan Year or fifty (50) percent of the Participant's Compensation for the Plan Year limited by the Maximum Compensation Limitation, if less.

 - (iii) Tax-Deferred Contributions shall be made by regular payroll reduction.

- (c) Tax-Deferred Contribution elections are effective following the Participant's Enrollment Date or as soon as administratively feasible thereafter. An election of Tax-Deferred Contributions shall remain in force until changed in the form and manner specified by the Committee. A Participant may elect to cease contributions

at any time. Elections to increase, decrease or cease Tax-Deferred Contributions are effective as soon as administratively possible following receipt by the Committee. A Participant may not change his election with respect to Tax-Deferred Contributions already made by payroll deduction. Notwithstanding the foregoing, if a Participant is reclassified or transferred to an employment category not included among Eligible Employees, deferrals shall cease as of the first payroll period in which the reclassification or transfer is effective.

Notwithstanding any contrary provision of this Section 3.01, if the amount being deducted from a Participant's Compensation is changed due to an error by the Company, the Participant shall be deemed to have elected to make such change, as of the effective date of the change, if the Participant does not advise the Committee in writing (or by any other means that is acceptable to the Committee) of his objection to such change within 90 days after his receipt of the first paycheck (or payroll advice) reflecting such change.

- (d) Tax-Deferred Contributions shall be transmitted to the Trustee as of the earliest date on which such contributions can reasonably be segregated from the Employer's general assets, but no later than the fifteenth business day of the month following the payroll month in which the Tax-Deferred Contribution was deducted from the Participant's Compensation.
- (e) All Tax-Deferred Contributions are subject to the limitations of Article 14 and the further limitations of this Article.

3.02 Matching Contributions

- (a) Each Employer will contribute, with respect to Participants (other than ESPN Regular Remote Employees) employed by it who have met the eligibility requirements set forth in Section 3.02(b), a Matching Contribution equal to 50% of so much of the aggregate Tax-Deferred Contributions and Roth Contributions made on behalf of the Participant for the Plan Year as do not exceed 4% (6% to the extent the Participant is a Covered Employee described in Section 1.20(a)(ii) or (iii)) of the Participant's Compensation for the Plan Year, determined without regard to the

Maximum Compensation Limitation, disregarding, for the Plan Year in which the Participant first satisfies the eligibility requirements, contributions made and Compensation earned before the Participant satisfies the eligibility requirements or enrolls in the Plan, if later; provided, however, that Matching Contributions made on behalf of a Participant for any Plan Year shall not exceed 2% (3% to the extent the Participant is a Covered Employee described in Section 1.20(a)(ii) or (iii)) of the Maximum Compensation Limitation for the Plan Year.

- (b) A Participant shall be eligible for Matching Contributions if he is a Covered Employee who has attained age eighteen (18) and has reached the one-year anniversary of his Employment Commencement Date; provided, however, that the requirement that the Covered Employee attain age eighteen (18) shall not apply to an ABC Employee.
- (c) Notwithstanding the foregoing, Matching Contributions of the Employers are discretionary and are not required.
- (d) All Matching Contributions shall be paid to the Trustee no later than the time prescribed by law for filing the federal income tax returns of the Employers, including any extensions granted for the filing of such tax returns.
- (e) All Matching Contributions are subject to the limitations of Article 14 and the further limitations of this Article.

3.03 Special Contributions

- (a) Special Contributions are not required and are made at each Employer's discretion.
- (b) Special Contributions may be made to correct an Actual Deferral Percentage test failure under Section 14.02, to correct a Contribution Percentage test failure under Section 14.03, or in order to satisfy the average benefit percentage test described in Section 410(b)(2) of the Code, provided that the requirements for taking such contributions into account in such tests as set forth in applicable Treasury regulations (including the requirement that such contributions not be disproportionate) are met.

- (c) Special Contributions are made on behalf of Participants who are not Highly Compensated Employees and who are actively employed by the Employer on the last day of the pay period for which a Special Contribution is made.
- (d) All Special Contributions shall be paid to the Trustee no later than the time prescribed by law for filing the federal income tax returns of the Employers, including any extensions granted for the filing of such tax returns.
- (e) All Special Contributions are subject to the limitations of Article 14 and the further limitations of this Article.

3.04 Deductibility Limitations and Form of Contribution

- (a) In no event shall the aggregate Tax-Deferred, Roth, Matching, Automatic, and Special Contributions of the Employers exceed the amount deductible by the Employers for such Plan Year for income tax purposes as a contribution to the Trust under the applicable provisions of the Code. All Participant Tax-Deferred or Roth Contribution elections, Matching Contributions, Automatic Contributions, and Special Contributions are specifically conditioned on such deductibility.
- (b) All contributions of the Employers shall be in cash, except that Matching Contributions and Special Contributions may be made in the form of Company Stock.

3.05 Rollover Contributions

- (a) Subject to Committee procedures and without regard to any limitations on contributions set forth in this Plan, the Plan may receive from a Covered Employee, regardless of whether he is an Eligible Employee, in cash, any portion of:
 - (i) An Eligible Rollover Distribution (as defined in Section 8.05(d)(i)) paid to the Covered Employee from a qualified trust described in Code Section 401(a), an annuity plan described in Code Section 403(a), an annuity contract described in Section 403(b) of the Code or an eligible plan under Section

457(b) of the Code which is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state, provided that the Covered Employee pays over such amount to the Trustee on or before the 60th day after the day it was received by the Covered Employee;

- (ii) An Eligible Rollover Distribution (as defined in Section 8.05(d)(i)) paid as a direct rollover to the Trustee on behalf of the Covered Employee by a qualified trust described in Code Section 401(a), an annuity plan described in Code Section 403(a), an annuity contract described in Section 403(b) of the Code or an eligible plan under Section 457(b) of the Code which is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state; and
- (iii) A distribution described in Code Section 408(d)(3)(A)(ii) (as modified by Code Section 408(d)(3)(D)) from an individual retirement account or annuity (conduit or non-conduit) paid to the Covered Employee provided that the Covered Employee pays over such amount to the Trustee on or before the 60th day after the day it was received by the Covered Employee.

(b) Notwithstanding the foregoing:

- (i) the Plan shall not accept any after-tax amounts under this Section 3.05; that is, amounts (other than Roth amounts described below in paragraph (iii)) that would not be taxable to the Covered Employee upon distribution from this Plan;
- (ii) the Plan shall not accept any amounts from a Covered Employee or on behalf of a Covered Employee from a contributory individual retirement account or annuity of the Covered Employee; and
- (iii) the Plan may accept a “rollover” contribution to a Participant’s Roth Account only if it is a direct rollover from another Roth contribution account under

an applicable retirement plan described in Code Section 402A(e)(1) and only to the extent the rollover is permitted under the rules of Code Section 402(c).

- (c) Upon approval by the Committee the amount transferred to the Plan by the Covered Employee shall be deposited by the Trustee. Any rollover Roth amounts accepted pursuant to Section 3.05(b)(iii) shall be credited to the Covered Employee's Roth Account, and any other rollover amounts shall be credited to the Covered Employee's Rollover Account. A Covered Employee shall be 100% vested in his Rollover Account and such Rollover Account shall share in allocations of income, gains and losses from investment options.
- (d) Upon a transfer described in this Section 3.05 by a Covered Employee who is not a Participant, the Covered Employee's Rollover Account shall represent his sole interest in the Plan until he becomes a Participant.
- (e) The Committee shall develop such other procedures and may require such information from a Covered Employee desiring to make a rollover as it deems necessary or desirable to determine that the proposed rollover will meet the requirements of this Section 3.05 and that the amount rolled over qualifies for rollover treatment pursuant to applicable provisions of the Code.

3.06 After Tax-Contributions

Voluntary after-tax contributions made by a Participant prior to January 1, 1987 are maintained in his After-Tax Account, which is 100% vested and nonforfeitable at all times.

3.07 Catch-up Contributions

All Employees who are eligible to make Tax-Deferred Contributions under this Plan and who have attained age 50 before the end of the Plan Year shall be eligible to make catch-up contributions in accordance with and subject to the limitations of Code Section 414(v). Such catch-up contributions shall not be taken into account for purposes of the provisions of the Plan implementing the required limitations of Code Sections 402(g) and 415. The Plan shall

not be treated as failing to satisfy the provisions of the Plan implementing the requirements of Code Sections 401(a)(4), 401(k)(3), 401(k)(11), 401(k)(12), 410(b) or 416, as applicable, by reason of the making of such catch-up contributions.

3.08 Roth Contributions

- (a) Eligible Employees will be permitted to make Roth Contributions. A Roth Contribution represents an agreement by an Eligible Employee with his Employer to (i) accept a reduction in Compensation in consideration of a contribution to the Plan by the Employer on the Participant's behalf in the same amount, (ii) designate the contribution irrevocably, at the time of the election as a Roth Contribution that is being made in lieu of all or a portion of the Tax-Deferred Contribution the Participant is otherwise eligible to make under Section 3.01 of the Plan; and (iii) provide that the contribution will be treated by the Employer as includable in the Participant's income pursuant to Section 402A of the Code.
- (b) An Eligible Employee may enter into an agreement with his Employer as described in Section 3.08(a) in accordance with the same rules that apply to Tax-Deferred Contributions under Section 3.01(b).
- (c) An Eligible Employee's aggregate Tax-Deferred and Roth Contributions shall not exceed the limits set forth in Section 3.01(b), the limitations of Article 14, or the further limitations of this Article.
- (d) Roth Contribution elections and Roth Contributions shall be subject to Sections 3.01(c) and 3.01(d), respectively.

3.09 Automatic Contribution for ESPN Regular Remote Employees

- (a) For each Plan Year, the applicable Employer shall contribute, on behalf of each Participant who is an ESPN Regular Remote Employee, an amount equal to 4% of the Participant's Compensation.

- (b) All Automatic Contributions shall be paid to the Trustee no later than the time prescribed by law for filing the federal income tax returns of the Employers, including any extensions granted for the filing of such tax returns.
- (c) All Automatic Contributions are subject to the limitations of Article 14 and the further limitations of this Article.

ARTICLE 4

Allocations to Participants' Accounts

4.01 Individual Accounts

The Committee shall create and maintain adequate records to disclose the interest in the Trust Fund of each Participant and Beneficiary. Such records shall be in the form of individual accounts and credits and charges shall be made to such accounts in the manner herein described. When appropriate, a Participant shall have any or all of the following separate accounts: a Tax-Deferred Account, a Roth Account, a Matching Account, a Special Account, an Automatic Contribution Account, a Rollover Account and an After-Tax Account. The maintenance of individual accounts is only for accounting purposes, and a segregation of the assets of the Trust Fund to each account shall not be required. Distributions and withdrawals made from an account shall be charged to the account as of the date paid.

4.02 Account Allocations

The Accounts of Participants and Beneficiaries shall be adjusted in accordance with the following:

- (a) Income: As of each Valuation Date, each Investment Fund shall be revalued separately. Based on such revaluation of the Investment Funds, each Account shall be revalued as of the applicable Valuation Date to reflect its proportionate share of investment experience since the immediately preceding Valuation Date.
- (b) Tax-Deferred Contributions: As of each Valuation Date, the Tax-Deferred Contributions received by the Trust Fund since the immediately preceding Valuation Date shall be allocated to the Tax-Deferred Accounts of the Participants on whose behalf such contributions were made.
- (c) Matching Contributions: As of each Valuation Date, the Matching Contributions received by the Trust Fund since the immediately preceding Valuation Date shall be allocated to the Matching Account of the Participants on whose behalf such contributions were made.

- (d) Special Contributions: As of each Valuation Date, Special Contributions received by the Trust Fund since the immediately preceding Valuation Date shall be allocated to the Special Accounts of Participants who are not Highly Compensated Employees and who were actively employed on the last day of the pay period for which the Special Contribution was made. The allocation for each Participant eligible to receive a share of the allocation shall be equal to the total amount of the Special Contribution divided by the total number of Participants eligible to receive an allocation of Special Contributions. Therefore, each eligible Participant shall receive the same dollar amount of allocation of Special Contributions as each other eligible Participant.
- (e) Rollover Contributions: As of each Valuation Date, the Rollover Contributions received by the Trust Fund since the immediately preceding Valuation Date on behalf of a Participant shall be allocated to such Participant's Rollover Account.
- (f) Roth Contributions: As of each Valuation Date, the Roth Contributions and any rollover Roth amounts received by the Trust Fund since the immediately preceding Valuation Date shall be allocated to the Roth Accounts of the Participants on whose behalf such Roth Contributions and Roth rollovers were made.
- (g) Automatic Contributions: As of each Valuation Date, the Automatic Contributions received by the Trust Fund since the immediately preceding Valuation Date shall be allocated to the Automatic Contribution Accounts of the Participants on whose behalf such Automatic Contributions were made.

4.03 Limitation on Allocations

Notwithstanding any of the foregoing, the amount of contributions that may be allocated to a Participant's Aggregate Account for a Plan Year shall be subject to the limitations under Sections 401(k), 401(m) and 415 of the Code as set forth in Article 14.

4.04 No Guarantee

The Employers, the Committee, and the Trustee do not guarantee the Participants or their Beneficiaries against loss or depreciation or fluctuation of the value of the assets of the Trust Fund.

4.05 Statement of Accounts

The Committee will furnish each Participant, each Alternate Payee, and each Beneficiary of a deceased Participant, at least quarterly, a statement showing the value of his Aggregate Account, the allocations to and distributions from his Accounts, and such other information as may be required by applicable law. No statement will be provided to a Participant or Beneficiary after the Participant's entire vested and nonforfeitable interest in his Accounts is distributed.

ARTICLE 5

Vesting

5.01 Nonforfeitable of Aggregate Account

Except as provided in Section 11.07 and Article 14, the interest of each Participant in his Aggregate Account shall be 100% vested and nonforfeitable at all times.

5.02 Automatic Contribution Account

Except as provided in Section 11.07 and Article 14, the interest of each Participant in his Automatic Contribution Account shall be 100% vested and nonforfeitable at all times.

ARTICLE 6

Investment Elections and Voting of Company Stock

6.01 Investment Options

(a) The assets of the Trust Fund shall be maintained in multiple Investment Funds so as to provide alternative investment vehicles for the assets of the Plan. Such separate funds shall include:

(i) Funds Investing in Company Stock. Each of the Company Stock funds described in Section 6.01(a)(i)(A) shall be an Investment Fund under the Plan when indicated, subject to Sections 6.01(a)(i)(B) through 6.01(a)(i)(F):

(A) The Company Stock funds offered under the Plan on and after the Effective Date shall be as follows:

(I) The Company Stock ESOP Fund (a share-accounted fund as described in Section 6.01(a)(i)(C)) shall be an Investment Fund under the Plan. The Company Stock ESOP Fund shall constitute an “employee stock ownership plan” within the meaning of Section 4975(e)(7) of the Code (herein referred to as the “ESOP”). No contribution made to the Plan may be invested in the Company Stock ESOP Fund. Participants may elect to transfer funds from another Investment Fund (other than the Company Stock Non-ESOP Fund described in Section 6.01(a)(i)(A)(II)) into the Company Stock ESOP Fund and to transfer funds from the Company Stock ESOP Fund to another Investment Fund (other than the Company Stock Non-ESOP Fund) pursuant to Section 6.01(d)(ii).

(II) The Company Stock Non-ESOP Fund (a share-accounted fund as described in Section 6.01(a)(i)(C)) shall be an Investment Fund under the Plan. The Company Stock Non-ESOP Fund shall not

constitute an “employee stock ownership plan” within the meaning of Section 4975(e)(7) of the Code. Contributions made to the Plan that are subject to a Participant’s direction to invest in Company Stock shall be invested in the Company Stock Non-ESOP Fund. Participants may not elect to transfer funds from another Investment Fund into the Company Stock Non-ESOP Fund, although Participants may elect to transfer funds from the Company Stock Non-ESOP Fund to another Investment Fund (other than the Company Stock ESOP Fund described in Section 6.01(a)(i)(A)(I)) pursuant to Section 6.01(d)(ii). In each Plan Year, all assets of the Company Stock Non-ESOP Fund shall be transferred to the Company Stock ESOP Fund as of the earliest business day after the record date for the Company Stock dividend and before the close of such year as is administratively practicable.

(B) The Company Stock funds described in Section 6.01(a)(i)(A) shall not be managed investment funds and shall be invested, to the maximum extent practicable, entirely in Company Stock at all times.

(C) Each Participant’s proportional interest in the Company Stock ESOP Fund or the Company Stock Non-ESOP Fund shall be measured in full and fractional shares of Company Stock held by the Company Stock ESOP Fund or the Company Stock Non-ESOP Fund, respectively. Any and all rights to sell Company Stock shall be administered in accordance with the Company’s insider trading policy.

(D) The Company, the settlor of the Plan, intends the Company Stock funds described in Section 6.01(a)(i)(A) to offer eligible employees opportunities to invest indirectly in Company Stock and to participate in the performance of Company Stock on terms similar to those that apply to Company shareholders. The Company intends the Company Stock funds described in Section 6.01(a)(i)(A) to offer such opportunities over an indefinite period of time during which the performance of Company Stock

could vary widely. The Company intends such Company Stock funds to continue to offer such opportunities under all market conditions and regardless of the current, recent, or historical performance of the Company or Company Stock (for example, regardless of whether, over any period of time (of whatever duration), the Company pays dividends to its shareholders and regardless of whether, over any period of time (of whatever duration), the market price of Company Stock (I) rises or falls, (II) is volatile or stable, or (III) is high or low in relation to any reference point). The Company recognizes that an investment in an undiversified fund, such as the Company Stock ESOP Fund, or the Company Stock Non-ESOP Fund, is subject to greater risk than is an investment in a diversified fund, and the Company expects eligible employees to take that greater risk into account when deciding whether to participate (or to continue participating) in any such fund.

(E) Because the purpose of the Company Stock funds described in Section 6.01(a)(i)(A) is to offer eligible employees opportunities to invest indirectly in Company Stock and to participate in the performance of such stock on terms similar to those that apply to Company shareholders, the Plan's fiduciaries and administrators shall not (I) disclose material non-public information regarding the Company or Company Stock to the Plan, to the Trustee or other Plan fiduciaries, or to Participants or their Beneficiaries or Alternate Payees before such information is publicly disclosed or (II) based on such non-public information (and before such information is publicly disclosed), cause the Plan, the Trustee or other Plan fiduciaries, or Participants or their Beneficiaries or Alternate Payees to take any action with respect to Company Stock (such as buying or selling Company Stock or directing funds into or out of a Company Stock fund described in Section 6.01(a)(i)(A)).

(F) Each Participant shall be entitled to elect, at such time and such manner as the Committee shall prescribe, to receive a distribution from the Plan of an amount in cash equal to the Participant's proportional interest in any dividends paid with respect to Company Stock held on the record date for the dividend by the Company Stock ESOP Fund. A Participant may make such an election with respect to the dividends paid on any given date only if the value of the Participant's proportional interest in the dividends paid on such date is at least \$10 or the Participant elects to receive dividends by electronic funds transfer. If an election to receive a cash distribution is made, payment shall be made to the Participant not later than 90 days after the close of the Plan Year in which such dividend is paid to the Plan. Participants shall not be entitled to elect under this subparagraph to receive a distribution from the Plan of dividends paid with respect to Company Stock held on the record date for the dividend by the Company Stock Non-ESOP Fund. Dividends paid with respect to Company Stock held on the record date for the dividend by:

(I) the Company Stock ESOP Fund, with respect to which no election to receive a cash distribution has been made or is available, or

(II) the Company Stock Non-ESOP Fund,

shall be reinvested in additional shares of Company Stock and the Aggregate Accounts of eligible Participants will be credited with additional shares and/or fractional shares of Company Stock.

- (ii) Other Funds. Additional Investment Funds may be established by the Committee, which (except to the extent provided to the contrary in this Section 6.01) shall have the sole discretion to determine the number and character of such additional Investment Funds. The Committee, in its sole discretion, shall have the authority to limit or eliminate the availability of

any of the Investment Funds established pursuant to this Section 6.01(a)(ii); provided, however, that the Committee, in its capacity as the Plan's investment fiduciary, shall not have the authority to limit or eliminate the availability of any Company Stock fund described in Section 6.01(a)(i)(A).

- (b) Subject to the provisions of Section 6.01(f), the Committee shall adopt such rules and procedures as it deems advisable with respect to all matters relating to the selection and use of the Investment Funds, provided that all Participants are treated uniformly.
- (c) Except to the extent that a Participant's loan is considered a separate investment pursuant to Section 7.01, each Participant shall designate the Investment Fund(s) (to the extent such Investment Fund(s) are available for new contributions) under which his Tax-Deferred, Roth, After-Tax, Rollover, Matching, Automatic, and Special Contributions and loan repayments under Article 7 are to be invested. Such designation shall be in the form and manner prescribed by the Committee. If a Participant fails to designate the Investment Fund(s) under which any of his contributions are to be invested, such contributions shall be invested in the default Investment Fund(s) specified in the Trust Agreement.
- (d) A Participant may (i) change his election of Investment Funds with respect to his future contributions, or (ii) redesignate the proportions and/or the Investment Funds in which amounts already allocated to his Tax-Deferred, Roth, After-Tax, Rollover, Matching, Automatic Contribution, and Special Accounts shall be invested (to the extent such Investment Fund(s) are available to accept contributions or transferred amounts). Elections made under this Section 6.01(d) shall be in the form and manner prescribed by the Committee, and shall be subject to any limitations described elsewhere in this Section 6.01.
- (e) If a Participant dies, his Beneficiary has the same investment election rights as the Participant had prior to his death, until the Participant's Aggregate Account is distributed to the Beneficiary.

- (f) The Plan, including its constituent ESOP, is intended to constitute a plan described in Section 404(c) of ERISA and Title 29 of the Code of Federal Regulations, Section 2550.404c-1. As such, the Plan's fiduciaries may be relieved of liability for any losses that are the direct and necessary result of investment instructions given by a Participant or a Beneficiary.
- (g) Each Participant is solely responsible for the selection of his investment options. The Trustee, the Committee, the Employers, and the officers, supervisors and other employees of the Employers are not empowered to advise a Participant as to the manner in which his accounts shall be invested. The fact that an Investment Fund is available to Participants for investment under the Plan shall not be construed as a recommendation for investment in that particular Investment Fund.
- (h) Notwithstanding the foregoing provisions of Sections 6.01(a) through (g), the Plan shall comply with the diversification requirements of Section 401(a)(35) of the Code and Treasury regulations and other applicable guidance issued thereunder. In this respect, a Participant, Beneficiary, or Alternate Payee shall be eligible to transfer all or part of the portion of his Aggregate Account that is invested in the Company Stock ESOP Fund or the Company Stock Non-ESOP Fund to any of the other available Investment Funds (to the extent available for transfers in), as provided in Section 6.01(c) or (d). In addition:
 - (i) The Investment Funds described in Section 6.01(a) shall include not less than three Investment Funds, other than any Company Stock fund described in Section 6.01(a)(i)(A), into which a Participant, Beneficiary, or Alternate Payee may elect to transfer amounts invested in such a Company Stock fund. Each such additional Investment Fund shall be diversified and have materially different risk and return characteristics (or shall qualify to be treated as such pursuant to Treasury regulations or other applicable guidance).
 - (ii) The rules adopted by the Committee pursuant to Section 6.01(b):

(A) shall provide Participants, Beneficiaries, and Alternate Payees with reasonable, periodic opportunities to direct the transfer described in (i), occurring not less frequently than quarterly; and

(B) shall not impose direct or indirect restrictions or conditions with respect to investment in any Company Stock fund described in Section 6.01(a)(i)(A) that are not imposed on investments in other Investment Funds, other than restrictions or conditions required or designed to ensure compliance with securities laws (such as, the rules that permit a three-day settlement period for securities transactions) or such other restrictions or conditions as may otherwise be permitted under Treasury regulations or other applicable guidance.

(iii) The Committee shall notify Participants, Beneficiaries, and Alternate Payees of their diversification rights at the time, in the manner, and to the extent required pursuant to Section 101(m) of ERISA and regulations and other guidance issued thereunder.

6.02 Voting of Company Stock

(a) **Voting.** Each Participant with an interest in any Company Stock fund described in Section 6.01(a)(i)(A) shall have the right to direct the Trustee as to the manner in which the Trustee is to vote (including not to vote) the full and fractional shares of Company Stock held by the Company Stock ESOP Fund and the Company Stock Non-ESOP Fund that are credited to the Participant's Aggregate Account, hereinafter referred to as the "Participant's interest in Company Stock." Directions from a Participant to the Trustee concerning the voting of Company Stock shall be communicated in writing, or by such other means as is agreed upon by the Trustee and the Committee. These directions shall be held in confidence by the Trustee and shall not be divulged to the Committee, the Company, or any officer or employee thereof, or any other person except to the extent that the consequences of such

directions are reflected in reports regularly communicated to any such persons in the ordinary course of the performance of the Trustee's services hereunder. Upon its receipt of the directions, the Trustee shall vote the shares of Company Stock reflecting the Participant's interest in Company Stock as directed by the Participant. Except as otherwise required by law, the Trustee shall vote shares of Company Stock reflecting the Participant's interest in Company Stock for which it has received no direction from the Participant as directed by the independent fiduciary appointed by the Committee for such purposes. Notwithstanding the foregoing, if, with respect to a particular year, no fiduciary has been appointed by the Committee or the appointed independent fiduciary does not provide timely direction, the Trustee shall vote the shares of the Company Stock reflecting the Participant's interest in Company Stock for which it has received no direction from the Participant in the same proportion on each issue as it votes those shares reflecting Participants' interests in Company Stock for which the Trustee has received voting directions from Participants.

- (b) **Tender and Exchange Offers.** Each Participant with an interest in any Company Stock fund described in Section 6.01(a)(i)(A) shall have the right to direct the Trustee to tender or not to tender some or all of the shares of Company Stock reflecting such Participant's interest in Company Stock described in the first sentence of Section 6.02(a). Directions from a Participant to the Trustee concerning the tender of Company Stock shall be communicated in writing, or by such other means as is agreed upon by the Trustee and the Committee. These directions shall be held in confidence by the Trustee and shall not be divulged to the Committee, the Company, or any officer or employee thereof, or any other person except to the extent that the consequences of such directions are reflected in reports regularly communicated to any such persons in the ordinary course of the performance of the Trustee's services hereunder. The Trustee shall tender or not tender shares of Company Stock as directed by the Participant. Except as otherwise required by law, the Trustee shall not tender shares of Company Stock reflecting a Participant's interest in Company Stock for which it has received no direction from the Participant.

- i. Withdrawal of Tender. A Participant who has directed the Trustee to tender some or all of the shares of Company Stock reflecting the Participant's interest in Company Stock may, at any time prior to the tender offer withdrawal deadline, direct the Trustee to withdraw some or all of the tendered shares reflecting the Participant's interest, and the Trustee shall withdraw the directed number of shares from the tender offer prior to the tender offer withdrawal deadline. A Participant shall not be limited as to the number of directions to tender or withdraw that the Participant may give to the Trustee.
 - ii. Tender Proceeds. A direction by a Participant to the Trustee to tender shares of Company Stock reflecting the Participant's interest in Company Stock shall not be considered a written election under the Plan by the Participant to withdraw, or have distributed, any or all of his withdrawable interest in the Plan. The Trustee shall credit to each Account of the Participant from which the tendered shares were taken the proceeds received by the Trustee in exchange for the shares of Company Stock tendered from the Account. Pending receipt of directions from the Participant or the Committee, as provided in the Plan, as to which of the remaining Investment Funds the proceeds should be invested in, the Trustee shall invest the proceeds in such Investment Fund(s) as may be prescribed by the Trust Agreement.
 - iii. Exchange Offers. All of the provisions of this Section 6.02(b) shall apply to exchange offers as well as to tender offers.
- (c) Other Shareholder Rights. With respect to all shareholder rights other than the right to vote, the right to tender or exchange, and the right to withdraw shares previously tendered, in the case of Company Stock, the Trustee shall follow the procedures described in Section 6.02(a).
- (d) Stock Conversions. All of the provisions of this Section 6.02 shall apply to securities received as a result of a conversion of Company Stock.

ARTICLE 7
Participant Loans

7.01 Loans to Active Participants

The Committee shall direct the Trustee to loan a Participant or Alternate Payee who is actively employed by an Employer an amount from his Tax-Deferred, Roth, After-Tax, Matching, Special, Automatic Contribution, and Rollover Accounts in accordance with the rules of this Section and the Plan's loan rules, which shall be considered to be a part of the Plan.

- (a) A Participant or Alternate Payee may have only one outstanding loan at a time.
- (b) A Participant's or Alternate Payee's loan shall not be less than \$1,000 and shall not exceed the lesser of (i) \$50,000, reduced to the extent of the Participant's or Alternate Payee's highest outstanding loan balance during the immediately prior 12-month period (ending the day before the new loan is granted) under the Plan and any other qualified plan maintained by the Employer or an Affiliated Employer or (ii) 50% of the total dollar value of the Participant's or Alternate Payee's Tax-Deferred, Roth, After-Tax, Matching, Special, Automatic Contribution, and Rollover Accounts as of the date the loan is made.
- (c) Spousal Consent for a loan will not be required.
- (d) All loans shall be subject to the approval of the Committee and to such rules or regulations as the Committee shall adopt.
- (e) An application for a loan by a Participant or Alternate Payee shall be made in accordance with the administrative procedures set forth by the Committee.
- (f) Each loan shall be made at a reasonable rate of interest determined in accordance with the Plan's loan rules. The interest rate so determined with respect to a particular loan shall be fixed for the duration of such loan. Each loan shall be secured by the balance remaining in the borrower's Aggregate Account or by such other security as the Committee may deem to be adequate.

- (g) Each loan shall be treated as a separate investment of the funds credited to a Participant's or Alternate Payee's Tax-Deferred, Roth, After-Tax, Matching, Special, Automatic Contribution, or Rollover Account.
- (h) Loan proceeds shall be taken from the Participant's or Alternate Payee's Aggregate Accounts in the order prescribed in administrative procedures established by the Committee, as revised by the Committee from time to time in its discretion.
- (i) In accordance with Code Section 72(p)(3), the Committee shall notify the borrower that no interest deduction can be claimed with respect to any loan secured by the borrower's Tax-Deferred Account or Roth Account.
- (j) Loan documentation will be processed within the time periods established by the Committee in its administrative procedures.

7.02 Repayment of Loans

- (a) The period of repayment for any loan shall be arrived at by agreement between the Committee and the borrower. The repayment period shall be in full year increments and shall not exceed five (5) years, except that a 30-year repayment period may apply to any loan used for the purpose of purchasing a home that is the Participant's or Alternate Payee's principal residence.
- (b) Loans may be repaid in full at any time. Partial prepayment is not allowed.
- (c) Repayment of loans shall be by regular payroll deduction, and all loans shall be contingent on the borrower's payroll deduction authorization, provided that if a Participant is subsequently granted an unpaid leave of absence or is transferred to an Affiliated Employer or a position or location with the Employer that is not covered by the Plan (or ceases to have sufficient compensation from which the loan payment can be made, including following a termination of employment), the Participant must continue to make timely level installment payments of principal and interest, by

certified check, bank check, or money order or by such other method as may be prescribed by the Committee. Loan payments shall be transmitted to the Trustee in accordance with the Committee's usual administrative practice, provided that, if a Participant's loan is funded in part by an amount attributable to his Roth Account, a proportionate share of each of the Participant's loan payments shall be allocated to the Participant's Roth Account.

- (d) Loan defaults shall be treated as taxable distributions pursuant to Code requirements, but may not be applied to the borrower's collateral in his Tax-Deferred, Roth, Matching, Automatic Contribution, or Special Account until such time as a distribution from such accounts could otherwise be made under the Plan.
- (e) Notwithstanding the foregoing, in the event a Participant enters qualified military service as defined in Section 2.04(b), loan repayments shall be suspended (and interest shall cease to accrue) during the period of service, and the period of repayment shall be extended by the number of months of the period of qualified military service; provided, however, if the Participant incurs a termination of employment and requests a distribution pursuant to Article 8, the loan shall be canceled, and the outstanding loan balance shall be distributed pursuant to Article 8.

ARTICLE 8

Distributions to Participants and Beneficiaries

8.01 Withdrawals from After-Tax Account and Rollover Account

- (a) A Participant may elect to withdraw amounts credited to his After-Tax Account, provided that the minimum withdrawal amount shall be \$250 or, if less, the total value of the Participant's After-Tax Account.
- (b) A Participant may elect to withdraw amounts credited to his Rollover Account, provided that the minimum withdrawal amount shall be \$250 or, if less, the total value of the Participant's Rollover Account.
- (c) Elections under this Section 8.01 shall be on forms approved by the Committee for that purpose.

8.02 Hardship Withdrawals

- (a) A Participant who either:
 - i. has not terminated employment, or
 - ii. has terminated employment but is a former ABC Employee who first became a member under the ABC, Inc. Savings & Investment Plan before January 1, 1995,

may request a distribution in the event the Participant has a hardship as defined in subsections (b) and (c). Hardship withdrawals are limited to the excess of the total amount of the Participant's Rollover Account, the total amount of the Participant's Matching Account, the value of the Participant's Tax-Deferred Account as of December 31, 1988, plus the principal of the Participant's Tax-Deferred Contributions made from and after January 1, 1989 and the principal of the Participant's Roth Contributions over any outstanding loan the Participant may have and the sum of any prior hardship withdrawals. A hardship withdrawal shall not be made for an amount less than \$250.

- (b) A distribution will be made on account of hardship only if the distribution is necessary to satisfy an immediate and heavy financial need of the Participant. For purposes of this Plan, a distribution is made on account of an immediate and heavy financial need of the Participant only if the distribution is for:
- i. the payment of medical expenses described in Section 213(d) of the Code incurred or to be incurred by the Participant, the Participant's Spouse, any dependents of the Participant (as defined in Section 152 of the Code, but without regard to Sections 152(b)(1), (b)(2), and (d)(1)(B)), or the Participant's Beneficiary;
 - ii. costs directly related to the purchase of a principal residence for the Participant or a major rehabilitation of the living quarters of the Participant's principal residence, but excluding mortgage payments;
 - iii. the payment of tuition, related educational fees, room and board for up to the next twelve (12) months of post-secondary education for the Participant, his or her Spouse, children, dependents (as defined in Code Section 152, but without regard to Sections 152(b)(1), (b)(2), and (d)(1)(B)), or the Participant's Beneficiary;
 - iv. the prevention of the eviction of the Participant from his principal residence or foreclosure on the mortgage of the Participant's principal residence;
 - v. the payment of burial or funeral expenses for the Participant's Spouse, child, parent, mother-in-law, father-in-law, other dependents (as defined in Code Section 152, but without regard to Section 152(d)(1)(B)), or Beneficiary; or
 - vi. the payment of expenses for the repair of damage to the Participant's principal residence that would qualify for the casualty deduction under Section 165 of the Code (without regard to whether the loss exceeds 10% of adjusted gross income).

- (c) A distribution will be considered necessary to satisfy an immediate and heavy financial need of the Participant only if all three (3) of the following requirements are satisfied:
- i. the distribution is not in excess of the amount required to relieve the immediate and heavy financial need of the Participant (taking into account the taxable nature of the distribution);
 - ii. the Participant has obtained (or is currently obtaining) all distributions, withdrawals, and loans available under the Plan and all other plans maintained by any Employer or any Affiliated Employer (including any available distribution of dividends described in Section 6.01(a)(i)(F)) other than hardship distributions and the Participant represents in writing, on forms provided by the Committee and by providing any documentation required by the Committee, that the need cannot be relieved through reimbursement or compensation by insurance or otherwise, by reasonable liquidation of the Participant's assets, to the extent such liquidation would not itself cause an immediate and heavy financial need, by cessation of Tax-Deferred and Roth Contributions under the Plan, by withdrawals, distributions (other than hardship distributions) or nontaxable loans (at the time of the loan) from any plan maintained by any other entity by which the Participant is employed, or by borrowing from commercial sources on reasonable commercial terms; and
 - iii. the Committee determines that it can reasonably rely on the Participant's written representation.
- (d) Distributions pursuant to this Section will be made as soon as practicable following the Committee's approval of the Participant's written request for withdrawal and will be made in the form of a single lump sum payment. The Committee may request any documentation it may require from a Participant to make a determination that the Participant is eligible for a hardship withdrawal hereunder.

- (e) A Participant who receives a hardship withdrawal under this Section 8.02 shall be prohibited from making Tax-Deferred or Roth Contributions under this Plan and elective deferrals and employee contributions under all other plans of the Employer or an Affiliated Employer for six months after receipt of the distribution.
- (f) All hardship withdrawal elections must be made on forms approved by the Committee for that purpose.

8.03 Distributions on Account of Termination of Employment

- (a) Except as set forth in Section 8.03(c) below, distribution of a Participant's Aggregate Account shall commence as soon as practicable after the Participant's termination of employment, but in no event later than the time prescribed by Section 409(o) of the Code. A Participant's distributable Aggregate Account is based on the value of that Account as of the Valuation Date the Aggregate Account is to be distributed, except that there will be added to the value of the Participant's Aggregate Account the fair market value of any amounts allocated to his Aggregate Account under Article 4 after that Valuation Date. If a loan is outstanding from the Trust Fund to the Participant on the date of distribution, the amount distributed will be reduced by the outstanding loan balance. The distribution will be paid to the Participant's Beneficiary in the event the Participant's termination of employment is caused by his death. In all other cases, payment will be made to the Participant.
- (b) Except as set forth in Section 8.03(c) below, distributions will be in the form of a lump sum cash payment, except that the Participant may request that any portion of the Participant's Aggregate Account that is invested in a Company Stock fund described in Section 6.01(a)(i)(A) will be distributed in shares of Company Stock, plus cash for any fractional shares.
- (c) If the Participant's termination of employment is due to reasons other than death and if the amount of his Aggregate Account (determined without regard to the value of

his Rollover Account) exceeds the Cashout Limit, the Committee will not automatically distribute the Participant's Aggregate Account. The Cashout Limit is \$1,000.

The Participant may elect a distribution at any time after his termination of employment; however, a Participant may elect to delay his distribution until the earliest date that distribution of his Aggregate Account must commence pursuant to Section 8.08. All elections under this Section 8.03(c) shall be made in the manner approved by the Committee. The Participant shall receive distribution of the value of his Aggregate Account in a single lump sum payment, unless he elects to receive distribution of his Aggregate Account in the form of installments. The Participant may elect monthly, quarterly, semi-annual, or annual installments and an installment period of at least one year but not more than 20 years (or the maximum period over which payments are permitted under Section 8.08, if less). If a Participant elects to receive distribution in installments, the amount of each payment shall be determined by dividing the value of the Participant's Aggregate Account on the Valuation Date as of which such payment is determined by the number of remaining installments, including the installment for which such amount is being determined. Notwithstanding the foregoing, the aggregate payments during any calendar year shall equal no less than the minimum amount (if any) required to be distributed during such calendar year in accordance with Section 8.08.

- (d)
 - (i) Except as provided in Section 8.03(d)(ii), if a Participant dies prior to receiving the lump sum distribution of his Aggregate Account or prior to the completion of installment payments under this Section, the distribution shall be paid to the Participant's Beneficiary in a lump sum as soon as administratively practicable following the Participant's death, and no later than the latest date payment is permitted under Section 8.08. Notwithstanding the foregoing, if the Participant's death occurs after his required beginning date under Section 8.08, any minimum required distribution for the calendar year of the Participant's death, if not paid before the Participant's death, shall be paid, no later than December 31 of the calendar year in which the

Participant's death occurs, (A) to the Participant's Beneficiary or Beneficiaries, if a separate account has been established by the Beneficiary or Beneficiaries, or (B) otherwise, to the Participant's estate (or in such manner as may be determined by the Committee).

(ii) If the Beneficiary is a minor, the portion of the Participant's Aggregate Account that is payable to such Beneficiary shall be distributed pursuant to Section 8.03(d)(i) in a lump sum to the legal guardian of such minor, but only after presentation of proof of legal guardianship satisfactory to the Committee. If proof of legal guardianship has not been provided:

1. Any minimum distribution amounts required to be distributed pursuant to Section 8.08 before the minor reaches majority or proof of legal guardianship is provided shall be paid, subject to Section 11.03, to an adult or adults the Committee has determined to have assumed the custody and principal support of the minor Beneficiary; and

2. As soon as administratively practicable after the Beneficiary ceases to be a minor or proof of legal guardianship is provided, if earlier, any remaining amount payable to the Beneficiary shall be paid to the Beneficiary or to the legal guardian respectively, in a lump sum.

(e) It is possible for a Participant or Beneficiary to receive a distribution under this Section before all Matching, Automatic, and Special Contributions on behalf of the Participant are made to the Trust Fund. In such case, such additional amounts shall be paid to the Participant or Beneficiary as soon as practical after the Trust Fund's receipt thereof.

(f) If a Participant who terminated employment again becomes an Employee before commencing a distribution of his Aggregate Account, no distribution from the Trust

Fund will be made while he is an Employee, and amounts distributable to him on account of his prior termination will be held in the Trust Fund until he is again entitled to a distribution under the Plan. If a Participant who terminated employment again becomes an Employee after commencing a distribution of his Aggregate Account (including in a form other than a lump sum that may be preserved in an Appendix to the Plan for account balances transferred to the Plan from other plans), distributions that have begun shall continue while he is an Employee. However, amounts, if any, that are contributed to the Plan by or on behalf of the Employee during his reemployment will be held in the Trust Fund until he is again entitled to a distribution under the Plan.

- (g) Notwithstanding any provision of this Plan to the contrary, a lump sum payment shall be made in lieu of all vested benefits if the value of the vested portion of the Participant's Aggregate Accounts (determined without regard to the value of his Rollover Account) does not exceed the Cashout Limit. The Cashout Limit is \$1,000.

8.04 Restrictions and Requirements on Distributions

- (a) Except for distributions permitted under Section 8.01 with respect to Participants who withdraw from their After-Tax Account or Rollover Account, Section 8.02 with respect to Participants who suffer a hardship, Section 8.07 with respect to Participants who reach age 59-1/2, or Section 2.04(i) for certain Participants on active military duty, a Participant's interest in the Plan will not be distributed before the Participant's termination of employment or death; provided, however, that if:
 - i. The Plan is terminated without the establishment or maintenance by the Employers of an alternative defined contribution plan (within the meaning of Code Section 401(k)(10), Section 1.401(k)-1(d)(4) of the Treasury regulations, and other applicable guidance), or

ii. A Participant incurs a "severance from employment" (within the meaning of Code Section 401(k)(2)(B), Section 1.401(k)-1(d)(2) of the Treasury regulations, and other applicable guidance) on account of an Employer's or Affiliated Employer's sale of the assets in a trade or business or sale of a subsidiary, the Participant shall receive, or be entitled to receive payment of his Accounts following such event in accordance with the provisions of this Article 8, including Section 8.04(b).

- (b) An event described in Section 8.04(a)(i) that otherwise would permit distribution of a Participant's interest in the Plan will not be treated as described in Section 8.04(a)(i) unless the Participant receives a lump sum distribution by reason of the event. A lump sum distribution for this purpose will be a distribution described in Section 402(e)(4)(D) of the Code (without regard to subclauses (I), (II), (III), and (IV) of clause (i) thereof).
- (c) The provisions of this Section 8.04(c) will apply to restrict the Committee's ability to delay the commencement of distributions. Except as otherwise provided in this Article 8, distribution of the Participant's interest in his Aggregate Account shall begin no later than the 60th day after the close of the Plan Year in which occurs the latest of:
- i. The Participant's 65th birthday;
 - ii. The tenth anniversary of the date on which he became a Participant; or
 - iii. The date he terminates employment.
- (d) The provisions of Section 8.08 will apply to restrict a Participant's ability to delay distribution of benefits.
- (e) The Committee or its delegate shall provide recipients of a benefit hereunder with appropriate claim forms, election forms, withholding forms and an officially approved notice supplied by the Secretary of the Treasury that specifies certain

information regarding the federal income tax treatment of Plan benefits paid in the form of a lump sum.

8.05 Method of Payment for Eligible Rollover Distributions

- (a) Notwithstanding any provision of the Plan to the contrary, if a Distributee is entitled to receive an Eligible Rollover Distribution that exceeds \$200, the Distributee may elect, at the time and in the manner prescribed by Committee and in accordance with this Section 8.05, to have his Eligible Rollover Distribution paid in accordance with one of the following methods:
 - (i) all of the Eligible Rollover Distribution shall be paid directly to the Distributee;
 - (ii) all of the Eligible Rollover Distribution shall be paid as a Direct Rollover to the Eligible Retirement Plan designated by the Distributee; or
 - (iii) the portion of the Eligible Rollover Distribution as designated by the Participant, which portion shall be at least \$500 or such lesser amount as the Committee shall determine, shall be paid as a Direct Rollover to the Eligible Retirement Plan designated by the Distributee and the balance of the Eligible Rollover Distribution shall be paid directly to the Distributee.
- (b) No less than thirty (30) days and no more than one hundred eighty (180) days prior to the Distributee's payment date, the Committee shall provide the Distributee with an election form and a notice that satisfies the requirements of Section 1.411(a)-11(c) of the Treasury regulations and Section 402(f) of the Code.
- (c) Notwithstanding the provisions of Section 8.05(b) above, distributions paid in accordance with Section 8.05(a) may commence less than 30 days after the material described in Section 8.05(b) is given to the Distributee provided that:
 - (i) If the Distributee is the Participant, the value of his Aggregate Accounts (determined without regard to the value of his Rollover Account) does not exceed the Cashout Limit. The Cashout Limit is \$1,000; or

(ii) The Distributee is notified that he has the right to a period of at least thirty (30) days after receipt of the material to decide whether or not to elect a distribution and, after receipt of such notification, the Distributee affirmatively elects to receive a distribution.

(d) The following definitions apply to the terms used in this Section 8.05:

(i) “Eligible Rollover Distribution” means any distribution of all or any portion of the balance to the credit of the Distributee, except that an Eligible Rollover Distribution does not include:

(A) Any distribution that is one of a series of substantially equal periodic payments (not less frequently than annually) made for the life (or life expectancy) of the Distributee or the joint lives (or joint life expectancies) of the Distributee and the Distributee’s designated beneficiary, or for a specified period of ten (10) years or more;

(B) Any distribution to the extent such distribution is required under Section 401(a)(9) of the Code;

(C) Any amount that is distributed on account of hardship; and

(D) Any other type of distribution that the Internal Revenue Service announces (pursuant to regulation, notice or otherwise) is not an Eligible Rollover Distribution pursuant to Section 402(c) of the Code.

A portion of a distribution shall not fail to be an Eligible Rollover Distribution merely because the portion consists of after-tax contributions that are not includible in an Employee’s gross income. However, such portion may be paid only to (A) an individual retirement account or annuity described in Code Section 408(a) or (b), or (B) an annuity contract described in Code Section 403(b) or a qualified plan described in Code Section 401(a) or 403(a) that separately accounts for amounts so transferred (and earnings thereon),

including separately accounting for the portion that is includible in gross income and the portion that is not so includible. Likewise, a portion of a distribution shall not fail to be an Eligible Rollover Distribution merely because the portion consists of Roth contributions, provided that such portion may be paid only to (A) a Roth IRA described in Section 408A(b) of the Code or (B) an applicable retirement plan described in Section 402A(e)(1) of the Code that separately accounts for amounts so transferred (and earnings thereon), and in either case, only to the extent the rollover is permitted under the rules of Section 402(c) of the Code.

- (ii) “Eligible Retirement Plan” means any of the following that accepts the Distributee’s Eligible Rollover Distribution: (A) an individual retirement account described in Section 408(a) of the Code, (B) an individual retirement annuity described in Section 408(b) of the Code (other than an endowment contract), (C) an annuity plan described in Section 403(a) of the Code, (D) a qualified trust described in Section 401(a) of the Code, (E) an annuity contract described in Section 403(b) of the Code, (F) an eligible plan under Section 457(b) of the Code that is maintained by a state, political subdivision of a state or any agency or instrumentality of a state or political subdivision of a state and that agrees to separately account for amounts transferred into such plan from this Plan, and (G) a Roth IRA described in Section 408A(b) of the Code. This definition of Eligible Retirement Plan shall also apply in the case of a distribution to a surviving Spouse or to a Spouse or former Spouse who is the alternate payee under a qualified domestic relations order (as defined in Code Section 414(p)). For a non-Spouse Beneficiary described in (iii)(C) below, an eligible retirement plan shall include only an individual retirement plan or annuity described in (A), (B), or (G), above, that is treated as an inherited IRA of the Beneficiary.
- (iii) “Distributee” includes (A) an Employee or former Employee, (B) the Employee's or former Employee's surviving Spouse and the Employee's or

former Employee's Spouse or former Spouse who is the Alternate Payee pursuant to a qualified domestic relations order (with respect to the interest of the Spouse or former Spouse), or (C) a non-Spouse Beneficiary of an Employee or former Employee (with respect to the interest of the Beneficiary).

- (iv) "Direct Rollover" means a payment by the Plan to the Eligible Retirement Plan specified by the Distributee.

8.06 Recapture of Payments

- (a) By error, it is possible that payments to a Participant or Beneficiary may exceed the amounts to which the recipient is entitled. When notified of the error, the recipient must return the excess to the Trust Fund. This requirement is limited where explicit statutory provisions require limitation.
- (b) To prevent hardship, repayment under Section 8.06(a) may be made in installments, determined at the sole discretion of the Committee. A repayment arrangement, however, may not be contrary to law, and it may not be used as a disguised loan.
- (c) If a Trustee is authorized by statute to recover some payments, no Plan provision may be construed to contravene the statute.

8.07 Age 59½ Withdrawals

A Participant who has attained age 59½ may request a distribution from his Aggregate Account at any time, provided that a distribution shall not be made for an amount less than \$250. Such distributions will be made as soon as practicable following the Committee's receipt of the Participant's request for withdrawal (on forms approved by the Committee) and will be made in the form of a single lump sum payment, unless the Participant elects to receive distribution of his Aggregate Account in the form of installments. The Participant may elect monthly, quarterly, semi-annual, or annual installments and an installment period of at least one year but not more than 20 years (or the maximum period over which payments

are permitted under Section 8.08, if less). If a Participant elects to receive distribution in installments, the amount of each payment shall be determined by dividing the value of the Participant's Aggregate Account on the Valuation Date as of which such payment is determined by the number of remaining installments, including the installment for which such amount is being determined. Notwithstanding the foregoing, the aggregate payments during any calendar year shall equal no less than the minimum amount (if any) required to be distributed during such calendar year in accordance with Section 8.08.

8.08 Required Minimum Distributions

The following provisions will apply to limit a Participant's ability to delay the distribution of benefits.

- (a) The provisions of this Section 8.08 will apply for purposes of determining required minimum distributions.
 - i. The requirements of this Section 8.08 will take precedence over any inconsistent provisions of the Plan.
 - ii. All distributions required under this Section 8.08 will be determined and made in accordance with Treasury regulations under Code Section 401(a)(9).
- (b) The Participant's entire interest will be distributed or begin to be distributed to the Participant no later than the Participant's required beginning date.
- (c) If the Participant dies before distributions begin, the Participant's entire interest will be distributed to the Participant's Beneficiary (whether or not a designated beneficiary) by December 31 of the calendar year containing the fifth anniversary of the Participant's death. Notwithstanding the foregoing, if:
 - i. The Participant's designated beneficiary is a minor;

- ii. The minor beneficiary will not cease to be a minor before the fifth anniversary described above; and
- iii. Proof of legal guardianship satisfactory to the Committee has not been provided pursuant to Section 8.03(d)(ii) at such time as may be required by the Committee,

minimum distributions, equal to the quotient obtained by dividing the Participant's account balance by the remaining life expectancy of the Participant's designated beneficiary, determined as described in Section 8.08(g), will be paid annually under Section 8.03(d)(ii)(A) beginning no later than December 31 of the calendar year immediately following the calendar year in which the Participant's death occurred and will continue each calendar year thereafter until the full distribution of the remainder of the beneficiary's interest is made under Section 8.03(d)(ii)(B). For purposes of this Section 8.08(c) and Sections 8.08(g) and (h), distributions are considered to begin on the Participant's required beginning date.

- (d) Unless the Participant's interest is distributed in a single sum on or before the required beginning date, as of the first distribution calendar year distributions will be made in accordance with Sections 8.08(e) through (h).
- (e) During the Participant's lifetime, the minimum amount that will be distributed for each distribution calendar year is the lesser of:
 - i. The quotient obtained by dividing the Participant's account balance by the distribution period in the Uniform Lifetime Table set forth in Section 1.401(a)(9)-(9) of the Treasury regulations, using the Participant's age as of the Participant's birthday in the distribution calendar year; or
 - ii. If the Participant's sole designated beneficiary for the distribution calendar year is the Participant's Spouse, the quotient obtained by dividing the Participant's account balance by the number in the Joint and Last Survivor Table set forth in Section 1.401(a)(9)-(9) of the Treasury regulations, using

the Participant's and Spouse's ages as of the Participant's and Spouse's birthdays in the distribution calendar year.

- (f) Required minimum distributions will be determined under Section 8.08(e) beginning with the first distribution calendar year up to and including the distribution calendar year that includes the Participant's date of death.
- (g) If the Participant dies on or after the date distributions begin and there is a designated beneficiary, the minimum amount that will be distributed for each distribution calendar year after the year of the Participant's death is the quotient obtained by dividing the Participant's account balance by the longer of the remaining life expectancy of the Participant or the remaining life expectancy of the beneficiary, determined as follows:
 - i. The Participant's remaining life expectancy is calculated using the age of the Participant on his or her birthday in the year of death, reduced by one for each subsequent year.
 - ii. If the Participant's surviving Spouse is the Participant's sole designated beneficiary, the remaining life expectancy of the surviving Spouse is calculated for each distribution calendar year after the year of the Participant's death using the surviving Spouse's age as of the Spouse's birthday in that year. For distribution calendar years after the year of the surviving Spouse's death, the remaining life expectancy of the surviving Spouse is calculated using the age of the surviving Spouse as of the Spouse's birthday in the calendar year of the Spouse's death, reduced by one for each subsequent calendar year.
 - iii. If the Participant's surviving Spouse is not the Participant's sole designated beneficiary, the beneficiary's remaining life expectancy is based on the age of the beneficiary on his birthday in the year following the year of the Participant's death, reduced by one for each subsequent year.

- (h) If the Participant dies on or after the date distributions begin and there is no designated beneficiary as of September 30 of the year after the year of the Participant's death, the minimum amount that will be distributed for each distribution calendar year after the year of the Participant's death is the quotient obtained by dividing the Participant's account balance by the Participant's remaining life expectancy calculated using the age of the Participant on his birthday in the year of death, reduced by one for each subsequent year.
- (i) The following definitions apply for purposes of this Section 8.08:
- i. "Designated beneficiary" or "beneficiary" means an individual who is designated as the beneficiary under Section 1.10 of the Plan and is the designated beneficiary under Code Section 401(a)(9) and Section 1.401(a)(9)-1, Q&A-4 of the Treasury regulations.
 - ii. "Distribution calendar year" means a calendar year for which a minimum distribution is required. For distributions beginning before the Participant's death, the first distribution calendar year is the calendar year immediately preceding the calendar year that contains the Participant's required beginning date. For distributions beginning after the Participant's death, the first distribution calendar year is the calendar year in which distributions are required to begin under Section 8.08(c). The required minimum distribution for the Participant's first distribution calendar year will be made on or before the Participant's required beginning date. The required minimum distribution for other distribution calendar years, including the required minimum distribution for the distribution calendar year in which the Participant's required beginning date occurs, will be made on or before December 31 of that distribution calendar year.
 - iii. "Life expectancy" means life expectancy based on the Single Life Table under Section 1.401(a)(9)-9 of the Treasury regulations.

- iv. “Account balance” means the Aggregate Account as of the last Valuation Date in the calendar year immediately preceding the distribution calendar year (valuation calendar year) increased by the amount of any contributions made and allocated to the Aggregate Account as of dates in the valuation calendar year after the Valuation Date and decreased by distributions made in the valuation calendar year after the Valuation Date. The account balance for the valuation calendar year includes any amounts rolled over or transferred to the Plan either in the valuation calendar year or in the distribution calendar year if distributed or transferred in the valuation calendar year.
 - v. “Required beginning date” means, for a Participant who is a five percent owner (as defined in Code Section 416(i)), the April 1 following the calendar year in which the Participant attains age 70½. For any other Participant, required beginning date means the April 1 following the later of the calendar year in which he attains age 70½ or the calendar year in which he terminates employment.
- (j) Notwithstanding anything to the contrary in this Section 8.08, effective for the 2009 distribution calendar year, a Participant who (i) would have been required to receive required minimum distributions for the 2009 distribution calendar year (“2009 RMDs”) but for the enactment of Code Section 401(a)(9)(H), (ii) would have satisfied the requirement by receiving distributions from the Plan that are either equal to the 2009 RMDs or one or more payments in a series of substantially equal distributions (that include 2009 RMDs) made at least annually and expected to last for the life (or life expectancy) of the Participant, the joint lives (or joint life expectancies) of the Participant and his designated beneficiary, or for a period of at least 10 years (“Extended 2009 RMDs”), and (iii) has not set up scheduled payments but is receiving required minimum distributions from the Plan automatically will not receive those distributions for the 2009 distribution calendar year unless the Participant elects to receive such distributions. Affected Participants will be given

the opportunity to make the elections described in the preceding sentence. A direct rollover will be offered only for distributions that would be eligible rollover distributions without regard to Code Section 401(a)(9)(H).

ARTICLE 9
Administration of Plan

9.01 Plan Administrative Committee

The general administration of the Plan and the responsibility for carrying out the provisions of the Plan shall be assigned to the Investment and Administrative Committee of The Walt Disney Company Sponsored Qualified Benefits Plans and Key Employees Deferred Compensation and Retirement Plan (the "Committee"), consisting of:

- (a) The individuals holding, from time to time, the following positions within the Company, who shall be voting members of the Committee:

Senior Executive Vice President and Chief Financial Officer

Senior Executive Vice President and General Counsel

Executive Vice President -- Planning and Control

Senior Vice President and Treasurer

Senior Vice President -- Human Resources

Senior Vice President -- Compensation and Benefits; and

- (b) The individuals holding, from time to time, the following positions within the Company or Disney Worldwide Services, Inc., who shall be non-voting members of the Committee:

- (c)

Vice President -- Financial Risk Management

Vice President -- Counsel, Benefits

Vice President -- Employee Benefits

If any of the Committee members ceases to hold a position specified above, then he or she shall immediately cease to be a member of the Committee and his or her successor in such position shall automatically become a Committee member. If any of the positions listed in Section 9.01(a) or (b) is eliminated, the individual holding the position that is most comparable to the eliminated position shall become a member of the Committee.

9.02 Duties of Committee

The members of the Committee shall elect a chairman from their number and a secretary who may be but need not be one of the members of the Committee; may appoint from their number such subcommittees with such powers as they shall determine; and may authorize one or more of their number or any agent to execute or deliver any instrument or make any payment on their behalf. In addition, the Committee may retain counsel, employ agents, and provide for such clerical, accounting, actuarial and consulting services as they may require in carrying out the provisions of the Plan; and may allocate among themselves or delegate all or such portion of the duties under the Plan, other than those granted to the Trustee under the trust agreement adopted for use in implementing the Plan, as they, in their sole discretion, shall decide.

9.03 Meetings

The Committee shall hold meetings on such notice, at such place or places, and at such time or times as it may from time to time determine.

9.04 Actions By the Committee

Any act that the Plan authorizes or requires the Committee to do may be done, if done at a meeting, by a majority of a quorum of members. A quorum is 50% of all members of the Committee then in office. The action of that majority expressed from time to time by a vote at a meeting shall constitute the action of the Committee and shall have the same effect for all purposes as if assented to by all members of the Committee at the time in office. Alternatively, any action required or permitted to be taken by the Committee may be done by unanimous written consent in lieu of a meeting.

9.05 Compensation and Bonding

No member of the Committee shall receive any compensation from the Plan for his services as such. Except as may otherwise be required by law, no bond or other security need be required of any member in that capacity in any jurisdiction.

9.06 Establishment of Rules and Interpretation of Plan

The Committee shall have full discretionary power and authority as may be necessary to carry out the provisions of the Plan and to control and manage the operation and administration of the Plan, including, without limiting the generality of the foregoing, the discretionary power to:

- (a) promulgate and enforce rules and regulations as it deems necessary or appropriate for the administration of the Plan;
- (b) construe and interpret the Plan and decide all matters arising thereunder, including the right to remedy possible ambiguities, inconsistencies, and omissions and correct defects;
- (c) make factual determinations and decide all questions relating to individuals' eligibility for participation in the Plan, vesting, forfeitures, the amount, manner and timing of payment, and the status of persons as Participants, Employees, Covered Employees, Eligible Employees, Highly Compensated Employees, Spouses, Beneficiaries, and Alternate Payees;
- (d) require any person to furnish such documentation, information, or other matter as the Committee may require for the proper administration of the Plan and as a prerequisite to any payment or distribution by the Plan;
- (e) direct that the Trust Fund be used to pay the reasonable administration expenses of the Plan; and
- (f) impose reasonable restrictions (including temporary prohibitions) on Participants' contribution elections, changes in contribution elections, investment elections, changes in investment elections, loans, withdrawals, and distributions to accommodate the administrative requirements of the Plan.

All decisions of the Committee relating to matters within its jurisdiction shall be final, conclusive, and binding.

9.07 Service in More Than One Fiduciary Capacity

Any individual, entity, or group of persons may serve in more than one fiduciary capacity with respect to the Plan and/or the funds of the Plan.

9.08 Limitation of Liability

Except as and to the extent otherwise provided by applicable law, no liability whatever shall attach to or be incurred by the members of the Committee or by the shareholders, directors, officers, or employees of an Employer or an Affiliated Employer under or by reason of any of the terms and conditions contained in the Plan or in any of the contracts procured pursuant thereto or implied therefrom.

9.09 Indemnification

To the maximum extent permitted by the Company's by-laws, as amended from time to time, the Company shall indemnify each member of the Committee, and each director, officer, and employee or agent of the Company or an Affiliated Employer against any expenses and liabilities that such person may incur as a result of any act or failure to act, made in good faith, by such person in relation to the Plan or the funds of the Plan.

9.10 Expenses of Administration

All expenses incurred prior to the termination of the Plan that shall arise in connection with the administration of the Plan, including but not limited to the compensation of the Trustee, administrative expenses and proper charges and disbursements of the Trustee, and compensation and other expenses and charges of any Enrolled Actuary, counsel, accountant, specialist, or other person who shall be employed by the Committee in connection with the administration thereof, shall be paid from the Trust Fund to the extent not paid by the Employers.

9.11 Claims Procedures

- (a) Every claim for benefits under the Plan by a person (hereinafter referred to as “Claimant”) or by a Claimant’s authorized representative shall be filed by submitting to the person (the “claim administrator”) designated by the Committee, a written application on a form designated by the Committee. The claim administrator shall process such application and approve or disapprove it. Claims for benefits under the Plan other than disability benefits shall be governed by Sections 9.11(b) through 9.11(f). Claims for disability benefits under the Plan shall be governed by Section 9.11(g). Sections 9.11(h), 9.12, and 9.13 shall apply to all claims under the Plan, including, but not limited to claims for benefits (both based on the terms of the Plan and those based on an alleged violation of the law), claims for breach of fiduciary duty, and other claims that some aspect of the Plan’s operation, administration or design or some aspect of the Plan’s investments, is unlawful or violates the terms of the Plan.
- (b) If a Claimant is denied any benefits under the Plan (other than disability benefits) either in total or in an amount less than the full benefit to which he claims to be entitled, the claim administrator shall advise the Claimant of the denial within 90 days after receipt of the claim by the claim administrator. The claim administrator shall furnish the Claimant with a written notice setting forth:
- i. The computation of the Claimant’s benefit, if any;
 - ii. The specific reason or reasons for the denial;
 - iii. The specific Plan sections on which the denial is based;
 - iv. A description of any additional material or information necessary for the Claimant to perfect his claim, if possible, and an explanation of why such material or information is needed; and
 - v. A description of the Plan’s claim review procedures, the time limits under such procedures and a statement of the Claimant’s right to bring a civil action under Section 502(a) of ERISA following a denial of benefits on appeal.

If unforeseeable or special administrative problems or circumstances require an extension of time for processing the claim, the claim administrator shall furnish a written notice to the Claimant prior to close of the 90-day period explaining why an extension of time is needed and the approximate date by which the claim administrator expects to have processed the claim. In no event shall the claim administrator render a final decision on the validity of a claim later than 180 days after the claim administrator initially receives the claim.

- (c) Within 60 days of receipt of the information described in Section 9.11(b), the Claimant or his duly authorized representative may file written appeal of the determination with the Committee. As part of his appeal, the Claimant may submit written comments, documents, records and other information relating to the claim.
- (d) As long as the Claimant's appeal is pending (including the 60-day period described in Section 9.11(c)) the Claimant or his duly authorized representative shall be provided, upon request and free of charge, access to and copies of all documents, records and other information relevant to the claim and may review pertinent Plan documents and may submit issues and comments in writing to the Committee.
- (e) The Committee shall notify the Claimant in writing of the appeals decision (whether or not adverse) in written or electronic form within a reasonable period of time, but not later than 60 days after the Committee's receipt of the appeal. Notwithstanding, if the Committee determines that special circumstances (for example, the need to hold a hearing) require an extension of time, the Committee shall notify the Claimant of the reason or reasons for the extension and of the date by which it expects to make its decision. This extended period shall not exceed 60 days from the end of the initial 60-day period. The Committee's decision on appeal shall take into account all comments, documents, records and other information submitted by the Claimant and

relevant to the claim, without regard to whether such information was submitted or considered in the initial benefit determination.

- (f) If the Committee decides to deny benefits on appeal, the Committee shall provide the Claimant in writing with:
- i. The specific reason or reasons for the denial;
 - ii. The specific Plan provisions on which the denial is made;
 - iii. A statement that the Claimant is entitled to receive, upon request and free of charge, access to and copies of all documents, records and other information relevant to the claim; and
 - iv. A statement regarding the Claimant's right to bring a civil action under Section 502(a) of ERISA following a denial of benefits on appeal.
- (g) If the Claimant seeks a disability benefit under the Plan, this Section 9.11(g) shall govern the claim.

If the claim is wholly or partially denied the claim administrator shall advise the Claimant of the denial within 45 days after receipt of the claim by the claim administrator. If the claim administrator determines that an extension of time for processing the claim is needed due to circumstances beyond the control of the Plan, the claim administrator shall notify the Claimant prior to the close of the 45-day period of the reasons for the extension and the approximate date the claim administrator expects to have processed the claim. The extended period shall not exceed 75 days after the initial receipt of the claim by the claim administrator.

If the claim administrator determines that a second extension of time is needed to process the claim due to circumstances beyond the control of the Plan, the claim administrator shall notify the Claimant prior to the close of the 75-day period of the reasons for the extension and the approximate date the claim administrator expects to have processed the claim. The extended period shall not exceed 105 days after

the initial receipt of the claim by the claim administrator. The notice shall explain the standards on which an entitlement to a disability benefit under the Plan is based and the unresolved issues that prevent a decision on the claim and shall describe any additional information that is needed to resolve the issues. The Claimant shall have at least 45 days from the date of receipt of such notice to submit the additional information. If additional information is requested, the time period for making a benefit decision shall be tolled from the date on which the notice is sent to the Claimant until the Claimant responds to the request.

The claim administrator shall furnish the Claimant with a written notice setting forth:

- i. The specific reason or reasons for the denial;
- ii. The specific Plan sections on which the denial is based;
- iii. A description of any additional information necessary for the Claimant to perfect his claim, if possible, and an explanation of why such material or information is needed;
- iv. A description of the Plan's claim review procedures, the time limits under such procedures and a statement of the Claimant's right to bring a civil action under Section 502(a) of ERISA following a denial of benefits on appeal; and
- v. If applicable, a copy of the internal rule, guideline or protocol that was relied on to make the denial or a statement that such a rule was relied on and that a copy of such rule will be provided free of charge to the Claimant upon request.

Within 180 days following the receipt of the denial the Claimant or his duly authorized representative may file written appeal of the denial with the Committee. As part of his appeal, the Claimant may submit written comments, documents, records and other information relating to the claim.

As long as the Claimant's appeal is pending (including the 180-day period described in the preceding paragraph) the Claimant or his duly authorized representative shall be provided, upon request and free of charge, access to and copies of all documents, records and other information relevant to the claim and may review pertinent Plan documents and may submit issues and comments in writing to the Committee.

The Committee's decision on appeal shall take into account all comments, documents, records and other information submitted by the Claimant and relevant to the claim, without regard to whether such information was submitted or considered in the initial benefit determination. Moreover, such decision shall not defer to the initial determination and may not be conducted by the same individual who made the initial determination nor by any subordinate of such individual.

In deciding an appeal of any benefit determination that is based in whole or in part on medical judgment, the Committee shall consult with a health care professional who has appropriate training and experience in the field of medicine involved in the medical judgment; such health care professional may not be an individual who was consulted in connection with the initial determination nor by any subordinate of such individual. If the Claimant or his representative so requests, the Committee shall notify the Claimant of the medical experts whose advice was obtained by the Committee on behalf of the Plan in connection with the benefit determination.

The Committee shall notify the Claimant in writing of the appeals decision (whether or not adverse) in written or electronic form within a reasonable period of time, but not later than 45 days after the Committee's receipt of the appeal. Notwithstanding, if the Committee determines that special circumstances (for example, the need to hold a hearing) require an extension of time, the Committee shall notify the Claimant of the reason or reasons for the extension and of the date by which it expects to make its decision. This extended period shall not exceed 45 days from the end of the initial 45-day period.

If the Committee decides to deny benefits on appeal, the Committee shall provide the Claimant in writing with:

- i. The specific reason or reasons for the denial;
 - ii. The specific Plan sections on which the denial is based;
 - iii. A statement that the Claimant is entitled to receive, upon request and free of charge, access to and copies of all documents, records and other information relevant to the claim;
 - iv. A statement of the Claimant's right to bring a civil action under Section 502(a) of ERISA following a denial of benefits on appeal;
 - v. If applicable, a copy of the internal rule, guideline or protocol that was relied on to make the denial or a statement that such a rule was relied on and that a copy of such rule will be provided free of charge to the Claimant; and
 - vi. If the denial is based on a medical judgment an explanation of the scientific or clinical judgment for the determination or a statement that such explanation will be provided free of charge to the Claimant on request.
- (h) Any person eligible to receive benefits under the Plan shall furnish to the claim administrator or the Committee any information or evidence requested by the claim administrator or the Committee and reasonably required for the proper administration of the Plan. Failure on the part of any person to comply with any such request within a reasonable period of time shall be sufficient grounds for delay in the payment of any benefits that may be due under the Plan until such information or evidence is received by the claim administrator or the Committee. If any person claiming benefits under the Plan makes a false statement that is material to the claim for benefits, the claim administrator or the Committee may offset against future payments any amount paid to such person to which he was not entitled under the provisions of the Plan.

9.12 Limitation on Actions

Neither:

- (a) A claim or action to recover benefits allegedly due under the provisions of the Plan or by reason of any law, nor
- (b) A claim or action to enforce rights under the Plan, nor
- (c) A claim or action to clarify rights to future benefits under the Plan, nor
- (d) Any other claim or action that (I) relates to the Plan and (II) seeks a remedy, ruling, or judgment of any kind against the Plan, the Committee, a Plan fiduciary (within the meaning of Section 3(21) of ERISA), or a party in interest (within the meaning of Section 3(14) of ERISA) with respect to the Plan

may be filed in any court--

- i. Until the claimant has exhausted the administrative review procedure set forth in Section 9.11; and
- ii. Unless such claim or action is filed in a court with jurisdiction over such claim or action no later than thirty-six (36) months after:

- A. In the case of a claim or action to recover benefits, the date the first benefit payment was actually made or was allegedly due whichever is earlier;

- B. In the case of a claim or action to enforce a right, the date the Committee or its delegate first denied the claimant's request to exercise such right, regardless of whether such denial occurred during administrative review pursuant to Section 9.11;

- C. In the case of a claim or action to clarify rights to future benefits, the date the Committee first repudiated its alleged obligation to provide such future benefits, regardless of whether such repudiation occurred during administrative review pursuant to Section 9.11; or

D. In the case of any other claim or action described in clause (d), above, the earliest date on which the claimant knew or should have known of the material facts on which such claim or action is based;

provided that if a request for administrative review pursuant to Section 9.11 is pending before the claims administrator designated by the Committee to review such claims when the 36-month period described in this paragraph (ii) expires, the deadline for filing such claim or action in a court with proper jurisdiction shall be extended to the date that is 60 calendar days after the final denial of the claim on administrative review.

The period described by paragraph (ii), above, is hereafter referred to as the “Applicable Limitations Period.” The Applicable Limitations Period replaces and supersedes any limitations period that might otherwise be deemed applicable under state or federal law in the absence of this Section 9.12. Except as provided in the following two sentences, a claim or action filed after the expiration of the Applicable Limitations Period shall be deemed time-barred. The Committee shall have the discretion to extend the Applicable Limitations Period upon a showing of exceptional circumstances that, in the opinion of the Committee, provide good cause for extension. The exercise of this discretion is committed solely to the Committee, and is not subject to review. Notwithstanding the foregoing, neither paragraph (ii), above, nor the Applicable Limitations Period shall apply to an action governed by Section 413 of ERISA.

9.13 Class Action Forum

- (a) To the fullest extent permitted by law, any putative class action lawsuit brought in whole or in part under Section 502 of ERISA (or any successor provision) and relating to the Plan, the lawfulness of any Plan provision, the administration of the Plan, the management, investment, or handling of Plan assets, or the performance or non-performance of Plan fiduciaries or administrators shall be filed in one of the following jurisdictions: (i) the jurisdiction in which the Plan is principally administered, or (ii)

the jurisdiction in which the largest number of putative class members resides (or if that jurisdiction cannot be determined, the jurisdiction in which the largest number of class members is reasonably believed to reside).

- (b) If any putative class action within the scope of Section 9.13(a) is filed in a jurisdiction other than one of those described in Section 9.13(a), or if any non-class action filed in such a jurisdiction is subsequently amended or altered to include class action allegations, then the Plan, all parties to such action that are related to the Plan (such as a Plan fiduciary, administrator, or party in interest), all alleged Plan participants and beneficiaries shall take all necessary steps to have the action removed to, transferred to, or re-filed in a jurisdiction described in Section 9.13(a). Such steps may include, but are not limited to, (i) a joint motion to transfer the action, or (ii) a joint motion to dismiss the action without prejudice to its re-filing in a jurisdiction described in Section 9.13(a), with any applicable time limits or statutes of limitations applied as if the suit or class action allegation had originally been filed or asserted in a jurisdiction described in Section 9.13(a) at the same time that it was filed or asserted in a jurisdiction not described therein.
- (c) The provisions of this Section 9.13 shall be waived if no party invokes them within 120 days of the filing of a putative class action or the assertion of class action allegations.
- (d) This Section 9.13 does not relieve any putative class member of any obligation existing under the Plan or by law to exhaust administrative remedies before initiating litigation.

ARTICLE 10
Management of Funds

10.01 Trust Agreement

All the funds of the Plan shall be held by a Trustee appointed from time to time by the Committee under a Trust Agreement adopted, or as amended, by the Committee for use in providing benefits under the Plan and paying its expenses not paid directly by the Employers. The Employers shall have no liability for the payment of benefits under the Plan or for the administration of the funds paid over to the Trustee.

The Committee shall have the power to amend the Trust Agreement, and any other funding vehicle document, to:

- (a) comply with laws and regulations, or as otherwise may be desirable when prompted by a change in law or regulation; and
- (b) make any other change that may be necessary or desirable, provided that any amendment adopted pursuant to this subsection shall not increase the Company's annual expense by more than five (5) million dollars.

10.02 Exclusive Benefit Rule

Except as otherwise provided in the Plan, no part of the corpus or income of the funds of the Plan shall be used for, or diverted to, purposes other than for the exclusive benefit of Participants and other persons entitled to benefits under the Plan before satisfaction of all liabilities with respect to them. No person shall have any interest in or right to any part of the earnings of the funds of the Plan, or any right in, or to, any part of the assets held under the Plan, except as and to the extent expressly provided in the Plan.

10.03 Committee Power and Duties

- (a) The Committee may, in its discretion, appoint one or more investment managers (within the meaning of Section 3(38) of ERISA) to manage (including the power to acquire and dispose of) all or part of the assets of the Plan, as the Committee shall

designate. In that event, authority over and responsibility for the management of the assets so designated shall be the sole responsibility of that investment manager.

- (b) The Committee shall have the duty to advise any investment adviser or person (including any investment manager) with discretionary investment authority over all or a portion of the Plan's Trust Fund of the investment objectives which such person should observe. Such advice should, looking at the assets of the Plan as a whole, take into account the short-term cash needed for benefit payment as well as the long-term growth needed to discharge the Plan's liabilities. The Committee may make such changes in the appointment of the Trustee or any investment advisers or investment managers, and may remove or replace the Trustee or any investment adviser or investment manager, as it deems advisable. The Committee also shall have the power and authority specified in any agreements with the Trustee or any investment adviser or investment manager.
- (c) With the approval of the Committee, a portion of the Plan's Trust Fund may be invested in the Trustee's certificates of deposit, or in the Trustee's pooled or commingled qualified trust funds.
- (d) Notwithstanding the foregoing, the Trust Fund shall consist of separate Investment Funds as provided in Article 6, and to the extent required by Participant elections, may be fully invested in Company Stock.
- (e) The Committee shall prepare periodically a report of its actions that constitute settlor activities with respect to the Plan and shall deliver a copy of such report to the Board.

ARTICLE 11
Assignments and Liens

11.01 Nonalienation

- (a) Except as required by any applicable law or by subsection (c), no benefit under the Plan shall in any manner be anticipated, assigned, or alienated, and any attempt to do so shall be void. However, payment shall be made in accordance with the provisions of any judgment, decree, or order that:
- (i) creates for, or assigns to, a Spouse, former Spouse, child, or other dependent of a Participant the right to receive all or a portion of the Participant's benefits under the Plan for the purpose of providing child support, alimony payments, or marital property rights to that Spouse, child, or dependent;
 - (ii) is made pursuant to a state domestic relations law;
 - (iii) does not require the Plan to provide any type of benefit, or any option, not otherwise provided under the Plan; and
 - (iv) otherwise meets the requirements of Section 206(d) of ERISA, as amended, as a qualified domestic relations order.
- (b) Notwithstanding anything herein to the contrary, if the amount payable to the Alternate Payee under the Qualified Domestic Relations Order does not exceed the Cashout Limit, such amount shall be paid in one lump sum as soon as practicable following the qualification of the order. If the amount exceeds the Cashout Limit, it may be paid as soon as practicable following the qualification of the order if the Qualified Domestic Relations Order so provides and the Alternate Payee consents thereto; otherwise, it may not be payable before the earliest of (i) the Participant's termination of employment, (ii) the time such amount could be withdrawn while still employed, or (iii) the Participant's attainment of age 50. The Cashout Limit is \$1,000.

- (c) A Participant's benefit under the Plan shall be offset or reduced by the amount the Participant is required to pay to the Plan under the circumstances set forth in Section 401(a)(13)(C) of the Code.

11.02 Qualified Domestic Relations Orders

Notwithstanding any provisions in this Plan to the contrary, the Committee shall comply with any judgment, decree, or order that the Committee determines to be a Qualified Domestic Relations Order.

- (a) Establishment of Procedures. The Committee shall establish reasonable written procedures to determine the qualified status of domestic relations orders and to administer distributions under orders determined to be Qualified Domestic Relations Orders, which procedures may include, without limitation, the adoption of one or more model Qualified Domestic Relations Orders. Such procedures shall be consistent with the requirements of Section 206(d) of ERISA and Sections 401(a)(13) and 414(p) of the Code. The Committee shall promptly notify the affected Participant and any other Alternate Payee of the receipt of a domestic relations order and the procedures for determining the qualified status of domestic relations orders. Within a reasonable period after the receipt of such order, the Committee shall determine whether such order is a Qualified Domestic Relations Order and shall notify the Participant and each Alternate Payee of such determination.

- (b) Disposition of Benefits Pending Determination. During any period in which the qualified status of a domestic relations order is being determined (by the Committee, by a court, or otherwise), the Committee shall make arrangements to account separately for the amounts that would have been payable to each Alternate Payee if the order had been determined to be a Qualified Domestic Relations Order. If within 18 months of the receipt of the order, the order (or modification thereof) is determined to be a Qualified Domestic Relations Order, the Plan shall pay the amounts that have been separately accounted for to the person or persons entitled thereto. If within 18 months of the receipt of the order it is determined that the order is not qualified, or

the issue as to whether the order is qualified is not resolved by the end of the 18-month period, then the Plan shall pay the amounts that have been separately accounted for to the person or persons, if any, who would have been entitled to payment of such amounts if there had been no order. Any determination that an order is qualified that is made after the close of the 18-month period shall apply prospectively only.

- (c) Allocation of Expenses to Participant's Account. Expenses incurred by the Plan with respect to a putative Qualified Domestic Relations Order shall be charged against the affected Participant's Aggregate Account.

11.03 Facility of Payment

- (a) If the Committee shall find that a Participant or other person entitled to a benefit is unable to care for his affairs because of illness or accident, the Committee may direct that any benefit due him, unless claim shall have been made for the benefit by a duly appointed legal representative, be paid to his Spouse, a child, a parent or other blood relative, or to a person with whom he resides.
- (b) Amounts payable under the Plan to a minor shall be paid for the minor's benefit to the legal guardian of such minor, upon proof of legal guardianship satisfactory to the Committee. In the absence of proof of legal guardianship satisfactory to the Committee, any payment due under the Plan to a minor may be paid to such adult or adults as in the opinion of the Committee have assumed the custody or principal support of such minor, provided that such adults shall execute any affidavits or other forms and/or make any written representation as may be required by the Committee.
- (c) Any payment made under subsection (a) or (b) shall be a complete discharge of the liabilities of the Plan for that benefit.

11.04 Information

Each Participant, Beneficiary, or other person entitled to a benefit, before any benefit shall be payable to him or on his account under the Plan, shall file with the Committee the information that it shall require to establish his rights and benefits under the Plan.

11.05 Construction

- (a) Governing Laws. Except as otherwise provided by ERISA, this Plan and all provisions thereof shall be construed and administered according to the laws of the State of California.
- (b) Title and Headings Not to Control. The titles to the Articles and the headings of Sections in the Plan are placed herein for convenience of reference only and, in the case of any conflict, the text of this instrument rather than such titles or headings shall control.
- (c) Gender and Person. The masculine pronoun shall include the feminine, the feminine pronoun shall include the masculine, and the singular shall include the plural wherever the context so requires.

11.06 Proof of Death and Right of Beneficiary or Other Person

The Committee may require and rely on such proof of death and such evidence of the right of any Beneficiary or other person to receive the value of the Plan benefits of a deceased Participant as the Committee may deem proper, and its determination of death and of the right of that Beneficiary or other person to receive payment shall be conclusive.

11.07 Failure to Locate Recipient

In the event that the Committee is unable to locate a Participant or Beneficiary who is entitled to payment under the Plan within five (5) years from the date such payment was to have been made, the amount to which such Participant or Beneficiary was entitled shall be declared a forfeiture and shall be used to reduce future Matching or Automatic Contributions to the Plan. If the Participant or Beneficiary later is located, the benefit that was previously forfeited

hereunder shall be restored (with no interest or earnings) by means of additional Employer contributions to the Plan.

11.08 Electronic Transmission of Notices to Participants

Notwithstanding any provision of the Plan to the contrary, any notice required to be distributed to Participants, Beneficiaries and Alternate Payees pursuant to the terms of the Plan may, at the direction of the Committee, be transmitted electronically to the extent permitted by, and in accordance with any procedures set forth in, applicable law and regulations.

ARTICLE 12

Amendment, Merger and Termination

12.01 Amendment of Plan

- (a) The Company, acting through the Board, reserves the right at any time and from time to time, and retroactively if deemed necessary or appropriate, to amend in whole or in part any or all of the provisions of the Plan. The Committee, or its delegate, shall have the power to amend the Plan to:
 - (i) comply with laws and regulations, or as otherwise may be desirable when prompted by a change in law or regulation; and
 - (ii) make any other change that may be necessary or desirable provided any amendment adopted pursuant to this Section 12.01 shall not increase the Company's annual expense by more than five (5) million dollars.
- (b) Any action required or permitted to be taken by the Board or the Committee under the Plan shall be by resolution adopted by the Board or the Committee at a meeting held either in person or by telephone or other electronic means, or by unanimous written consent in lieu of a meeting.
- (c) No amendment shall make it possible for any part of the funds of the Plan to be used for, or diverted to, purposes other than for the exclusive benefit of persons entitled to benefits under the Plan. No amendment shall be made that has the effect of decreasing the accrued benefits of any Participant or of reducing the nonforfeitable percentage of the accrued benefits of a Participant below the nonforfeitable percentage computed under the Plan as in effect on the date on which the amendment is adopted or, if later, the date on which the amendment becomes effective.

12.02 Merger or Consolidation

The Plan may not be merged or consolidated with, and its assets or liabilities may not be transferred to, any other plan unless each person entitled to benefits under the Plan would,

if the resulting plan were then terminated, receive a benefit immediately after the merger, consolidation, or transfer that is equal to or greater than the benefit he would have been entitled to receive immediately before the merger, consolidation, or transfer if the Plan had then terminated. The purpose of this Section 12.02 is to comply with the provisions of Code Section 414(l) and shall be interpreted and construed consistent with Code Section 414(l) and Treasury regulations thereunder. This Section 12.02 shall not be construed in a manner that would impose limitations that are more stringent than those required by Code Section 414(l).

12.03 Additional Participating Employers

- (a) With the consent of the Company, any subsidiary or affiliated corporation or division of such corporation may adopt the Plan for its Eligible Employees. An Employer adopting the Plan shall compile and submit all information required by the Committee with reference to its Eligible Employees. An entity will be considered to have adopted the Plan with the consent of the Company if it takes significant action that is consistent with the adoption of the Plan, the Board or Committee is aware of the action, and neither objects to the action.
- (b) If an entity adopts the Plan in accordance with Section 12.03(a), or if any persons become Employees of an Employer as the result of merger or consolidation or as the result of acquisition of all or part of the assets or business of another company, the Company shall determine to what extent, if any, previous service with the subsidiary or associated company shall be recognized under the Plan, but subject to the continued qualification of the trust for the Plan as tax-exempt under the Code.
- (c) A participating Employer may withdraw its participation in the Plan upon appropriate action by it. In addition, an Employer will cease to participate in the Plan from and after the date it ceases to be an Affiliated Employer. In either event, the assets of the Plan held on account of Participants in the employ of that Employer, and any unpaid Aggregate Accounts of all Participants who have separated from the employ of that Employer, shall be determined by the Committee. Subject to the provisions

of Section 8.04, those assets shall be distributed as provided in Section 12.05 if the Plan is terminated or partially terminated as a result of the withdrawal of such Employer. Otherwise, benefits payable to Employees employed by the withdrawing Employer shall be payable to such Employees when due under the Plan, but such Employees shall not be considered Eligible Employees from and after the date of withdrawal by their Employer.

12.04 Termination of Plan

The Company may terminate the Plan for any reason at any time.

12.05 Distribution of Assets on Plan Termination or a Complete Discontinuance of Contributions

- (a) Subject to the provisions of Section 8.04, in case of termination of the Plan or a complete discontinuance of contributions under the Plan, the rights of Participants to the benefits accrued under the Plan to date of termination or discontinuance of contributions shall remain fully vested and nonforfeitable.
- (b) After providing for payment of any expenses properly chargeable against the Trust Fund, the Committee may direct the Trustee to distribute assets remaining in the Trust Fund. Distributions to Participants or Beneficiaries may be in cash or in kind and are not subject to the regular distribution provisions of this Plan except that distributions must be in a form that the Committee deems consistent with statutory requirements. Except as specifically provided otherwise by law, the Committee's determination is conclusive on all persons.
- (c) In the event of a partial termination of the Plan, the provisions of this Section shall be applicable to the Participants affected by the partial termination.

12.06 Notification of Termination

On a termination of the Plan in accordance with this Article, the Committee shall notify the Employers, the Trustee, the Participants, and all other necessary parties. The Committee

shall thereafter continue the administration of the Plan for the purpose of winding up its affairs and may take all action reasonably required to accomplish such purpose.

ARTICLE 13
Top-Heavy Provisions

13.01 Priority Over Other Plan Provisions

If the Plan is or becomes a Top-Heavy Plan in any Plan Year, the provisions of this Article shall supersede any conflicting provisions of the Plan. However, the provisions of this Article shall not operate to increase the rights or benefits of Participants under the Plan except to the extent required by the Code Section 416 and other provisions of law applicable to Top-Heavy Plans.

13.02 Definitions Used in this Article

The following words and phrases, when used with initial capital letters, will have the meanings set forth below.

- (a) “ **Defined Benefit Plan** ” means a qualified plan other than a Defined Contribution Plan.
- (b) “ **Defined Contribution Plan** ” means the tax-qualified plan described in Code Section 414(i).
- (c) “ **Determination Date** ” means, for the first Plan Year of the Plan, the last day of the Plan Year and, for any subsequent Plan Year, the last day of the preceding Plan Year.
- (d) “ **Includable Compensation** ” means Statutory Compensation limited each year by the Maximum Compensation Limitation.
- (e) “ **Key Employee** ” means any Employee or former Employee (including any deceased Employee) who at any time during the Plan Year that includes the Determination Date was an officer of the Employer or an Affiliated Employer having annual Includible Compensation greater than \$130,000 (as adjusted under Code Section

416(i)(1) for Plan Years beginning after December 31, 2002), a 5-percent owner of the Employer or an Affiliated Employer, or a 1-percent owner of the Employer or an Affiliated Employer having annual Includible Compensation of more than \$150,000. The determination of who is a Key Employee will be made in accordance with Code Section 416(i)(1) and the applicable regulations and other guidance of general applicability issued thereunder.

- (f) “ **Minimum Allocation** ” means the allocation described in the first sentence of Section 13.03(a).
- (g) “ **Permissive Aggregation Group** ” means the Required Aggregation Group of qualified plans plus any other qualified plan or qualified plans of an Employer or an Affiliated Employer that when considered as a group with the Required Aggregation Group, would continue to satisfy the requirements of Code Sections 401(a)(4) and 410 (including simplified employee pension plans).
- (h) “ **Present Value** ” means present value based only on the interest and mortality rates specified in a Defined Benefit Plan.
- (i) “ **Required Aggregation Group** ” means each qualified plan of an Employer or an Affiliated Employer in which at least one key employee participates (regardless of whether the plan has terminated), and any other qualified plan of the Employer or an Affiliated Employer that enables such plan to meet the requirements of Code Sections 401(a)(4) or 410(b).
- (j) “ **Top-Heavy Plan** ” means the Plan for any Plan Year in which any of the following conditions exists: (i) the Top-Heavy Ratio for the Plan exceeds 60% and the Plan is not a part of any Required Aggregation Group or Permissive Aggregation Group of qualified plans; (ii) the Plan is a part of a Required Aggregation Group but not part of a Permissive Aggregation Group of qualified plans and the Top-Heavy Ratio for the Required Aggregation Group exceeds 60%; or (iii) the Plan is a part of a Required

Aggregation Group and part of a Permissive Aggregation Group of qualified plans and the Top-Heavy Ratio for the Permissive Aggregation Group exceeds 60%.

- (k) “ **Top-Heavy Ratio** ” means a fraction, the numerator of which is the sum of the Present Value of accrued benefits and the account balances (as required by Code Section 416)) of all Key Employees with respect to such qualified plans as of the Determination Date and the denominator of which is the sum of the Present Value of the accrued benefits and the Account balances of all Employees with respect to such qualified plans as of the Determination Date. The value of account balances and the Present Value of accrued benefits will be determined as of the most recent Top-Heavy Valuation Date that falls within or ends with the 12-month period ending on the Determination Date, except as provided in Code Section 416 for the first and second Plan Years of a Defined Benefit Plan. The account balances and accrued benefits of a Participant who is not a Key Employee but who was a Key Employee in a prior year will be disregarded. The calculation of the Top-Heavy Ratio, and the extent to which distributions, rollovers, transfers, and contributions unpaid as of the Determination Date are taken into account, will be made in accordance with Code Section 416. Employee contributions described in Code Section 219(e)(2) will not be taken into account for purposes of computing the Top-Heavy Ratio. When aggregating plans, the value of account balances and accrued benefits will be calculated with reference to the Determination Dates that fall within the same calendar year. The accrued benefit of any Employee other than a Key Employee will be determined under the method, if any, that uniformly applies for accrual purposes under all qualified plans maintained by an Employer or an Affiliated Employer and included in a Required Aggregation Group or a Permissive Aggregation Group or, if there is no such method, as if the benefit accrued not more rapidly than the slowest accrual rate permitted under the fractional accrual rate of Code Section 411(b)(1)(C). In addition:
- (i) The Present Values of accrued benefits and the amounts of account balances of an Employee as of the Determination Date shall be increased by the

distributions made with respect to the Employee under the Plan and any plan aggregated with the Plan under Code Section 416(g)(2) during the one-year period ending on the Determination Date. The preceding sentence shall also apply to distributions under a terminated plan which, had it not been terminated, would have been aggregated with the Plan under Code Section 416(g)(2)(A)(i). In the case of a distribution made for a reason other than severance from employment, death or disability, this provision shall be applied by substituting “five-year period” for “one-year period.”

(ii) The accrued benefits and accounts of any individual who has not performed services for the Employer or an Affiliated Employer during the one-year period ending on the Determination Date shall not be taken into account.

(l) “**Top-Heavy Valuation Date**” means the last day of each Plan Year.

13.03 Minimum Allocation

(a) For any Plan Year in which the Plan is a Top-Heavy Plan, each Participant who is not a Key Employee will receive an allocation of Employer contributions of not less than the lesser of 3% of his Includable Compensation for such Plan Year or the percentage of Includable Compensation that equals the largest percentage of participating Employer contributions (including Tax-Deferred Contributions) and forfeitures allocated to a Key Employee. The Minimum Allocation is determined without regard to any Social Security contribution. Tax-Deferred or Roth Contributions made on behalf of Participants who are not Key Employees will not be treated as Employer contributions for purposes of the Minimum Allocation. Matching and Automatic Contributions shall be taken into account for purposes of satisfying the Minimum Allocation under the Plan or under such other plan that satisfies the minimum contribution requirement of Code Section 416(c)(2) with respect to such Participant. Matching Contributions that are used to satisfy the

Minimum Allocation shall continue to be treated as Matching Contributions for purposes of the contribution percentage test under Section 14.03 and other requirements of Code Section 401(m). The Minimum Allocation applies even though under other Plan provisions the Participant would not otherwise be entitled to receive an allocation, or would have received a lesser allocation for the Plan Year because (i) the non-Key Employee fails to make mandatory contributions to the Plan, (ii) the non-Key Employee's Includable Compensation is less than a stated amount, or (iii) the non-Key Employee fails to complete 1,000 Hours of Service in the Plan Year.

- (b) No Minimum Allocation will be provided pursuant to subsection (a) to a Participant who is not employed by an Employer or an Affiliated Employer on the last day of the Plan Year.
- (c) If an Employer or an Affiliated Employer maintains one or more other Defined Contribution Plans covering Employees who are Participants in this Plan, the Minimum Allocation will be provided under this Plan, unless such other Defined Contribution Plans make explicit reference to this Plan and provide that the Minimum Allocation will not be provided under this Plan, in which case the provisions of subsection (a) will not apply to any Participant covered under such other Defined Contribution Plans. If an Employer or an Affiliated Employer maintains one or more Defined Benefit Plans covering Employees who are Participants in this Plan and such Defined Benefit Plans provide that Employees who are Participants therein will accrue the minimum benefit applicable to top-heavy Defined Benefit Plans notwithstanding their participation in this Plan, then the provisions of subsection (a) will not apply to any Participant covered under such Defined Benefit Plans. If an Employer or an Affiliated Employer maintains one or more Defined Benefit Plans covering Employees who are Participants in this Plan, and the provisions of the preceding sentence do not apply, then each Participant who is not a Key Employee and who is covered by such Defined Benefit Plans will receive a Minimum Allocation determined by applying the provisions of subsection (a) with the substitution of "5%" in each place that "3%" occurs therein.

(d) The Participant's Minimum Allocation shall be fully vested and nonforfeitable.

ARTICLE 14

Limitations on Contributions and Allocations to Participants' Accounts

14.01 Definitions Used in This Article

The following defined terms have the meanings set forth below:

- (a) **“Actual Deferral Percentage”** means, with respect to a specified group of Employees, the average of the ratios, calculated separately for each Employee in that group, of (a) the amount of aggregate Tax-Deferred Contributions made pursuant to Section 3.01 and Roth Contributions made pursuant to Section 3.08 for a Plan Year to (b) the Employee's Statutory Compensation for that entire Plan Year capped by the Maximum Compensation Limitation, provided that, on the direction of the Committee, Statutory Compensation for a Plan Year shall be counted only if received during the period an Employee is, or is eligible to become, a Participant. The Actual Deferral Percentage for each group and the ratio determined for each Employee in the group shall be calculated to the nearest one one-hundredth of one (1) percent. For purposes of determining the Actual Deferral Percentage for a Plan Year, Tax-Deferred or Roth Contributions may be taken into account for a Plan Year only if they:
- (i) relate to Compensation that either (A) would have been received by the Employee in the Plan Year but for the deferral election or (B) are attributable to services performed by the Employee in the Plan Year and would have been received by the Employee within 2-½ months after the close of the Plan Year but for the deferral election (but only if such contributions are allocated to such Plan Year instead of the Plan Year in which the Compensation would have been paid);
 - (ii) are allocated to the Employee as of a date within that Plan Year and the allocation is not contingent on Plan participation or performance of service after such date;

- (iii) are actually paid to the Trustee no later than twelve (12) months after the end of the Plan Year;
 - (iv) are not catch-up contributions described in Section 3.07 for the Plan Year;
 - (v) are not returned to a Nonhighly Compensated Employee for the Plan Year pursuant to Section 14.07(a);
 - (vi) are not taken into account for purposes of determining the Contribution Percentage described in Section 14.01(b) for the Plan Year; and
 - (vii) are not additional elective contributions made pursuant to Section 2.04(e).
- (b) **“Contribution Percentage”** means, with respect to a specified group of Employees, the average of the ratios, calculated separately for each Employee in that group, of (a) the sum of the Employee’s Matching Contribution for that Plan Year to (b) his Statutory Compensation for that entire Plan Year capped by the Maximum Compensation Limitation, provided that, on the direction of the Committee, Statutory Compensation for a Plan Year shall be counted only if received during the period an Employee is, or is eligible to become, a Participant. The Contribution Percentage for each group and the ratio determined for each Employee in the group shall be calculated to the nearest one one-hundredth of one (1) percent. For purposes of determining the Contribution Percentage for a Plan Year, Matching Contributions may be taken into account for a Plan Year only if they:
- (i) are allocated to the Employee as of a date within the Plan Year and on the basis of the Employee’s Tax-Deferred or Roth Contributions for the Plan Year;
 - (ii) are actually paid to the Trustee no later than twelve (12) months after the end of the Plan Year;
 - (iii) are not taken into account for purposes of determining the Actual Deferral Percentage described in Section 14.01(a) for the Plan Year;

- (iv) are not forfeited under the provisions of Section 14.02 or 14.07 for the Plan Year;
 - (v) are not made pursuant to Section 2.04(e); and
 - (vi) are not disproportionate matching contributions with respect to Nonhighly Compensated Employees for the Plan Year, as described in Treas. Reg. § 1.401(m)-2(a)(5)(ii).
- (c) **“Earnings”** means the amount of income to be returned with any excess deferrals, excess contributions, or excess aggregate contributions under Section 14.02, 14.03, or 14.07. Earnings on excess deferrals and excess contributions shall be determined by multiplying the income earned on the Tax-Deferred and Roth Accounts for the Plan Year by a fraction, the numerator of which is the excess deferrals or excess contributions, as the case may be, for the Plan Year and the denominator of which is the sum of the Tax-Deferred Account and Roth Account balances at the end of the Plan Year, disregarding any income or loss occurring during the Plan Year. Earnings on excess aggregate contributions shall be determined in a similar manner by substituting the Matching Account for the Tax-Deferred and Roth Accounts, and the excess aggregate contributions for the excess deferrals and excess contributions in the preceding sentence.
- (d) **“Nonhighly Compensated Employee”** means for any Plan Year an Employee of the Employer or an Affiliated Employer who is not a Highly Compensated Employee for that Plan Year.

14.02 Actual Deferral Percentage Test

With respect to each Plan Year, the Actual Deferral Percentage for the Plan Year for Highly Compensated Employees who are Participants or eligible to become Participants for the Plan Year shall not exceed the Actual Deferral Percentage for the Plan Year for all Nonhighly Compensated Employees who are Participants or eligible to become Participants for the Plan Year multiplied by 1.25. If the Actual Deferral Percentage for such Highly Compensated

Employees does not meet the foregoing test, the Actual Deferral Percentage for such Highly Compensated Employees for the Plan Year may not exceed the Actual Deferral Percentage for the Plan Year for all Nonhighly Compensated Employees who are Participants or eligible to become Participants for the Plan Year by more than two (2) percentage points, and such Actual Deferral Percentage for such Highly Compensated Employees for the Plan Year may not be more than two (2) times the Actual Deferral Percentage for the Plan Year for all Nonhighly Compensated Employees who are Participants or eligible to become Participants for the Plan Year.

The actual deferral percentage test for a Plan Year shall be applied to the Plan as a whole, including the ESOP.

The Committee may implement rules limiting the Tax-Deferred or Roth Contributions that may be made on behalf of some or all Highly Compensated Employees so that this limitation is satisfied. If the Committee determines that the limitation under this Section has been exceeded in any Plan Year, the following provisions shall apply:

- (a) The actual deferral ratio of the Highly Compensated Employee with the highest actual deferral ratio shall be reduced to the extent necessary to meet the actual deferral percentage test or to cause such ratio to equal the actual deferral ratio of the Highly Compensated Employee with the next-highest ratio. This process will be repeated until the actual deferral percentage test is passed. Each ratio shall be rounded to the nearest one one-hundredth of one (1) percent of the Participant's Statutory Compensation capped by the Maximum Compensation Limitation. The amount of Tax-Deferred and Roth Contributions made by each Highly Compensated Employee in excess of the amount permitted under his revised deferral ratio shall be added together. This total dollar amount of excess contributions ("excess contributions") shall then be allocated to some or all Highly Compensated Employees in accordance with the provisions of subsection (b) below.
- (b) The aggregate Tax-Deferred and Roth Contributions of the Highly Compensated Employee with the highest dollar amount of aggregate Tax-Deferred and Roth

Contributions shall be reduced by the lesser of (i) the amount required to cause that Employee's aggregate Tax-Deferred and Roth Contributions to equal the dollar amount of the aggregate Tax-Deferred and Roth Contributions of the Highly Compensated Employee with the next-highest dollar amount of aggregate Tax-Deferred and Roth Contributions or (ii) an amount equal to the total excess contributions. Reductions will be made first from a Highly Compensated Employee's Tax-Deferred Account and, to the extent that the required reduction is more than the Employee's Tax-Deferred Account, from his Roth Account. This procedure is repeated until all excess contributions are allocated. The amount of excess contributions allocated to a Highly Compensated Employee, together with earnings thereon, shall be distributed to him in accordance with the provisions of subsection (c).

- (c) The excess contributions, together with earnings thereon, allocated to a Participant shall be paid to the Participant before the close of the Plan Year following the Plan Year in which the excess contributions were made, and to the extent practicable, within 2½ months of the close of the Plan Year in which the excess contributions were made. However, any excess contributions for any Plan Year shall be reduced by any Tax-Deferred or Roth Contributions previously returned to the Participant under Section 14.07 for that Plan Year. In the event any Tax-Deferred or Roth Contributions returned under this Section were matched by Matching Contributions, such corresponding Matching Contributions, with earnings thereon, shall be forfeited and used to reduce Employer contributions.
- (d) In the event any Matching Contributions subject to forfeiture under this Section have been distributed to the Participant, the Employer shall make reasonable efforts to recover the contributions from the Participant.
- (e) The provisions of this Section 14.02 shall be interpreted and applied in accordance with Section 401(k)(3) of the Code and the Treasury Regulations and other guidance issued thereunder.

14.03 Contribution Percentage Test

With respect to each Plan Year, the Contribution Percentage for the Plan Year for Highly Compensated Employees who are Participants or eligible to become Participants for the Plan Year shall not exceed the Contribution Percentage for the Plan Year for all Nonhighly Compensated Employees who are Participants or eligible to become Participants for the Plan Year multiplied by 1.25. If the Contribution Percentage for such Plan Year for such Highly Compensated Employees does not meet the foregoing test, the Contribution Percentage for such Highly Compensated Employees for the Plan Year may not exceed the Contribution Percentage for the Plan Year for all Nonhighly Compensated Employees who are Participants or eligible to become Participants for the Plan Year by more than two (2) percentage points, and the Contribution Percentage for such Highly Compensated Employees for the Plan Year may not be more than two (2) times the Contribution Percentage for the Plan Year for all Nonhighly Compensated Employees who are Participants or eligible to become Participants for the Plan Year.

The actual contribution percentage test for a Plan Year shall be applied to the Plan as a whole, including the ESOP.

If the Committee determines that the limit under this Section 14.03 has been exceeded in any Plan Year, the following provisions shall apply:

- (a) The actual contribution ratio of the Highly Compensated Employee with the highest actual contribution ratio shall be reduced to the extent necessary to meet the test or to cause such ratio to equal the actual contribution ratio of the Highly Compensated Employee with the next-highest actual contribution ratio. This process will be repeated until the actual contribution percentage test is passed. Each ratio shall be rounded to the nearest one one-hundredth of one (1) percent of a Participant's Statutory Compensation capped by the Maximum Compensation Limitation. The amount of Matching Contributions made by or on behalf of each Highly Compensated Employee in excess of the amount permitted under his revised actual contribution ratio shall be added together. This total dollar amount of excess contributions ("excess aggregate contributions") shall then be allocated to some or

all Highly Compensated Employees in accordance with the provisions of subsection (b) below.

- (b) The Matching Contributions of the Highly Compensated Employee with the highest dollar amount of such contributions shall be reduced by the lesser of (i) the amount required to cause that Employee's Matching Contributions to equal the dollar amount of such contributions of the Highly Compensated Employee with the next-highest dollar amount of such contributions, or (ii) an amount equal to the total excess aggregate contributions. This procedure is repeated until all excess aggregate contributions are allocated. The amount of excess aggregate contributions allocated to each Highly Compensated Employee, together with earnings thereon, shall be distributed or forfeited in accordance with the provisions of subsection (c) below.
- (c) If excess aggregate contributions are allocated to a Highly Compensated Employee under subsection (b) above, so much of the Matching Contributions, together with earnings, as shall be necessary to equal the balance of the excess aggregate contributions shall be forfeited and applied to reduce Employer contributions.
- (d) Any repayment or forfeiture of excess aggregate contributions shall be made before the close of the Plan Year following the Plan Year for which the excess aggregate contributions were made and, to the extent practicable, any repayment or forfeiture shall be made within 2½ months of the close of the Plan Year in which the excess aggregate contributions were made. In the event any Matching Contributions subject to forfeiture have been distributed to the Participant, the Employer shall make reasonable efforts to recover the contributions from the Participant.
- (e) The provisions of this Section 14.03 shall be interpreted and applied in accordance with Section 401(m)(2) of the Code and the Treasury Regulations and other guidance issued thereunder.

14.04 Additional Discrimination Testing Provisions

- (a) If any Highly Compensated Employee is a participant of another qualified plan of the Employer or an Affiliated Employer, other than any qualified plan that is not permitted to be aggregated with the Plan under Sections 401(k) and 401(m) of the Code and Treasury Regulations issued thereunder (determined without regard to the prohibition on aggregation of plans with different plan years or with different testing methods), under which tax-deferred or Roth contributions or matching contributions are made on behalf of the Highly Compensated Employee or under which the Highly Compensated Employee makes after-tax contributions, the Committee shall implement rules, which shall be uniformly applicable to all employees similarly situated, to take into account all such contributions for the Highly Compensated Employee under all such plans in applying the limitations of Sections 14.02 and 14.03. If any other such qualified plan has a plan year other than the Plan Year defined in Section 1.39, the contributions to be taken into account shall be the contributions that would be taken into account for the Plan Year if the plan under which the contributions were made had the same Plan Year as the Plan.

- (b) In the event that this Plan is aggregated with one or more other plans to satisfy the requirements of Sections 401(a)(4) and 410(b) of the Code (other than for purposes of the average benefit percentage test) or if one or more other plans is aggregated with this Plan to satisfy the requirements of such sections of the Code, then the provisions of Sections 14.02 and 14.03 shall be applied by determining the Actual Deferral Percentage and Contribution Percentage of employees as if all such plans were a single plan. If this Plan is permissively aggregated with any other plan or plans for purposes of satisfying the provisions of Section 401(k)(3) of the Code, the aggregated plans also must satisfy the provisions of Sections 401(a)(4) and 410(b) of the Code as though they were a single plan. Plans may be aggregated under this subsection (b) only if they have the same plan year and only if they apply consistent testing methods with respect to Code Sections 401(k) and 401(m).

- (c) The Employer may elect to use Tax-Deferred or Roth Contributions to pass the tests described in Section 14.03, provided that the test described in Section 14.02 is passed prior to such election and continues to be passed following the Employer's election to shift the application of those Tax-Deferred or Roth Contributions from Section 14.02 to Section 14.03.
- (d) The Employer may elect to use Special Contributions to pass the tests described in Section 14.02 or 14.03 as set forth in Section 3.03(b).
- (e) Notwithstanding any provision of the Plan to the contrary, if Employees included in a unit of Employees covered by a collective bargaining agreement are participating in the Plan and not more than two (2) percent of such Employees are Highly Compensated Employees and professionals, then such Employees shall be disregarded in applying the provisions of Sections 14.02 and 14.03. However, a separate actual deferral percentage test must be performed for the group of collective bargaining Employees on the basis that those Employees are included in a separate cash-or-deferred arrangement.
- (f) If the Employer elects to apply the provisions of Section 410(b)(4)(B) to satisfy the requirements of Section 401(k)(3)(A)(i) of the Code, the Employer may apply the provisions of Sections 14.02 and 14.03:
 - i. by excluding from consideration all eligible Employees (other than Highly Compensated Employees) for the applicable year who have not met the minimum age and service requirements of Section 410(a)(1)(A) of the Code; or
 - ii. by performing separate tests for the applicable year for all eligible Employees who have met such minimum age and service requirements and for all eligible Employees who have not met such minimum age and service requirements.

14.05 Maximum Annual Additions

- (a) Except as permitted under Section 2.04 or 3.07, the annual addition to a Participant's Accounts for any Plan Year, which shall be considered the "limitation year" for purposes of Section 415 of the Code, when added to the Participant's annual addition for that Plan Year under any other qualified defined contribution plan of the Employer or an Affiliated Employer, shall not exceed an amount that is equal to the lesser of (i) one hundred (100) percent of his aggregate remuneration (as defined below) for that Plan Year or (ii) \$53,000 as of the Effective Date, adjusted thereafter pursuant to Section 415(d) of the Code.

The compensation limit referred to in (i) in the previous sentence shall not apply to any contribution for medical benefits after separation from service (within the meaning of Code Sections 401(h) or 419A(f)(2)) that is otherwise treated as an annual addition.

- (b) For purposes of this Section, the "annual addition" to a Participant's Accounts under this Plan or any other qualified defined contribution plan (including a deemed qualified defined contribution plan under a qualified defined benefit plan) maintained by the Employer or an Affiliated Employer shall be the sum of:
- i. the total contributions, including Tax-Deferred Contributions and Roth Contributions, made on the Participant's behalf by the Employer and all Affiliated Employers;
 - ii. all Participant contributions, exclusive of any Rollover Contributions;
 - iii. forfeitures, if applicable, that have been allocated to the Participant's Accounts under this Plan or his accounts under any other such qualified defined contribution plan; and
 - iv. solely for purposes of clause (ii) of subsection (a), above, amounts described in Sections 415(1)(1) and 419A(d)(2) allocated to the Participant.

For purposes of this subsection (b), any Tax-Deferred Contributions or Roth Contributions distributed under Section 14.02 and any Matching Contributions distributed or forfeited under the provisions of Section 14.02, 14.03, and 14.07 shall be included in the annual addition for the year allocated. However, any loan repayments made under Article 7, any excess deferrals timely distributed from the Plan under Section 14.07, and any restorative payments described in Treas. Reg. § 1.415(c)-1(b)(2)(ii)(C) shall be excluded from the definition of annual addition.

- (c) For purposes of this Section, the term “remuneration” with respect to any Participant means his Statutory Compensation not exceeding the Maximum Compensation Limitation.

- (d) If a Participant’s annual addition under the Plan for a limitation year or, if the Participant is participating in another qualified defined contribution plan of the Employer or an Affiliated Employer during a particular limitation year, the Participant’s combined annual addition under the Plan and such other plan for such limitation year, prior to the application of the limitation set forth in subsection (a) above, would exceed that limitation, the Committee shall adjust the Participant’s annual additions under the Plan and such other plan (as applicable) by reducing contributions before they are allocated, in the following order of priority:
 - i. First, the Participant’s unmatched Tax-Deferred Contributions under Section 3.01 or similar contributions under the other plan shall be reduced to the extent necessary.

 - ii. Second, the Participant’s unmatched Roth Contributions under Section 3.08 or similar contributions under the other plan shall be reduced to the extent necessary.

 - iii. Third, the Participant’s matched Tax-Deferred Contributions and corresponding Matching Contributions under the Plan or similar contributions under the other plan shall be reduced to the extent necessary.

- iv. Fourth, the Participant's matched Roth Contributions and corresponding Matching Contributions under the Plan or similar contributions under the other plan shall be reduced to the extent necessary.
- v. Fifth, the Participant's Automatic Contributions under the Plan or similar contributions under the other plan shall be reduced to the extent necessary.

14.06 Return of Contributions

- (a) If all or part of the Employer's deductions for contributions to the Plan are disallowed by the Internal Revenue Service, the portion of the contributions to which that disallowance applies shall be returned to the Employer without interest but reduced by any investment loss attributable to those contributions, provided that the portion is returned within one year after the disallowance of the deduction. For this purpose, all contributions made by the Employer are expressly declared to be conditioned on their deductibility under Section 404 of the Code.
- (b) The Employer may recover, without interest, the amount of its contributions to the Plan made on account of a mistake of fact, reduced by any investment loss attributable to those contributions, if recovery is made within one (1) year after the date of those contributions.
- (c) In the event that Tax-Deferred or Roth Contributions are returned to the Employer in accordance with the provisions of this Section, the elections to reduce Compensation that were made by Participants on whose behalf those contributions were made shall be void retroactive to the beginning of the period for which those contributions were made. The Tax-Deferred or Roth Contributions so returned shall be distributed in cash to those Participants for whom those contributions were made, provided, however, that if the contributions are returned under the provisions of subsection (a) above, the amount of Tax-Deferred or Roth Contributions to be

distributed to Participants shall be adjusted to reflect any investment gains or losses attributable to those contributions.

14.07 Contributions in Excess of Section 402(g) Limit

- (a) Except as permitted under Section 2.04 or 3.07, in no event shall the Participant's aggregate Tax-Deferred Contributions, Roth Contributions and similar contributions made on his behalf by the Employer or an Affiliated Employer to all plans, contracts, or arrangements subject to the provisions of Code Section 401(a)(30) in any calendar year exceed the Section 402(g) Limit in effect for such calendar year. If a Participant's aggregate Tax-Deferred Contributions and Roth Contributions in a calendar year reach that dollar limit, his election of Tax-Deferred Contributions or Roth Contributions for the remainder of the calendar year will be canceled. As of the first pay period of the calendar year following such cancellation, the Participant's election of Tax-Deferred Contributions or Roth Contributions shall again become effective in accordance with his previous election, unless the Participant elects otherwise.

In the event that the sum of the Tax-Deferred Contributions, Roth Contributions, and similar contributions to any other qualified defined contribution plan maintained by the Employer or an Affiliated Employer exceeds the dollar limit set forth above for any calendar year, the Participant shall be deemed to have elected a return of Tax-Deferred Contributions and Roth Contributions in excess of such limit ("excess deferrals") from this Plan. Tax-Deferred Contributions will be returned first and, to the extent that the excess deferrals are more than the Participant's Tax-Deferred Contributions for the year, then Roth Contributions equal to the remainder of the excess deferrals will be returned. The excess deferrals, together with earnings, shall be returned to the Participant no later than the April 15 following the end of the calendar year in which the excess deferrals were made. The amount of excess deferrals to be returned for any calendar year shall be reduced by any Tax-Deferred or Roth Contributions previously returned to the Participant under Section 14.02 for that calendar year. In the event any Tax-Deferred or Roth Contributions returned under this paragraph were matched by Matching Contributions under Section 3.02,

those Matching Contributions, together with earnings, shall be forfeited and used to reduce Employer contributions. In the event those Matching Contributions subject to forfeiture have been distributed to the Participant, the Employer shall make reasonable efforts to recover the contributions from the Participant.

- (b) If a Participant makes tax-deferred or Roth contributions under another qualified defined contribution plan maintained by an employer other than the Employer or an Affiliated Employer for any calendar year and those contributions when added to his Tax-Deferred Contributions or Roth Contributions exceed the dollar limit under this Section 14.07 for that calendar year, the Participant may allocate all or a portion of such excess deferrals to this Plan. In that event, Tax-Deferred Contributions will be returned first and, to the extent that the excess deferrals are more than the Participant's Tax-Deferred Contributions for the year, then Roth Contributions equal to the remainder of the excess deferrals will be returned. Such excess deferrals, together with earnings, shall be returned to the Participant no later than the April 15 following the end of the calendar year in which such excess deferrals were made. However, the Plan shall not be required to return excess deferrals unless the Participant notifies the Committee, in writing, by March 1 of that following calendar year of the amount of the excess deferrals allocated to this Plan. The amount of any such excess deferrals to be returned for any calendar year shall be reduced by any Tax-Deferred or Roth Contributions previously returned to the Participant under Section 14.02 for that calendar year. In the event any Tax-Deferred or Roth Contributions returned under this Section 14.07 were matched by Matching Contributions under Section 3.02, those Matching Contributions, together with earnings, shall be forfeited and used to reduce Employer contributions. In the event those Matching Contributions subject to forfeiture have been distributed to the Participant, the Employer shall make reasonable efforts to recover the contributions from the Participant.

ARTICLE 15
General Provisions

15.01 No Contract of Employment

The Plan shall not be deemed to constitute a contract between any Employer and any person or to be considered an inducement for the employment of any person by any Employer. Nothing contained in the Plan shall be deemed:

- (a) to give any person the right to be retained in the service of an Employer; or
- (b) to interfere with the right of any Employer to discharge any person at any time without regard to the effect that such discharge shall have on his rights or potential rights, if any, under the Plan.
- (c) preclude any person from being or continuing to be an “at will” employee.

15.02 Severability

If any provision or any portion of any provision of this Plan shall be held invalid or unenforceable, the remaining portions of such provision and the remaining provisions of this Plan shall remain valid and enforceable, and the invalid or unenforceable portions or provisions shall remain valid and enforceable as to persons or circumstances unrelated to those as to which there was a holding of invalidity or unenforceability.

15.03 Scrivener’s Errors

If, due to errors in drafting, any Plan provision does not accurately reflect its intended meaning, as demonstrated by consistent interpretations or other evidence of intent, as determined by the Committee, in its sole and exclusive judgment, the provision may be considered ambiguous and shall be interpreted by all Plan fiduciaries in a fashion consistent with its intent, as determined by the Committee in its sole discretion. The Committee shall amend the Plan retroactively to cure any such ambiguity. This provision may not be invoked by any person to require the Plan to be interpreted in a manner that is inconsistent with its interpretation by the Committee.

APPENDIX A

TRANSFER OF ASSETS FROM THE JUMBO PICTURES, INC.

Certain assets of the Jumbo Pictures 401(k) Plan (the “Jumbo Plan”) representing the accounts of employees of Jumbo Pictures, Inc. (“Jumbo”) who became employees of the Employer subsequent to the acquisition of Jumbo Pictures, Inc. by the Company were transferred to the Plan, effective on or about transfer date (the “Jumbo Transfer Date”). The transfer of assets from the Jumbo Plan into the Plan was effected in accordance with the following provisions:

A.1 Transfer of Account Balances. The outstanding account balances of the Jumbo employees under the Jumbo Plan were transferred to the Plan through a direct transfer from the trust fund for the Jumbo Plan to the Trust Fund for the Plan effected on the Jumbo Transfer Date.

A.2 Amount of Account Balance. The account balance credited to each Jumbo employee under the Jumbo Plan immediately prior to the Jumbo Transfer Date was credited to the Account (the “Jumbo Plan Account”) maintained for such individual under the Plan immediately after the Jumbo Transfer Date. Accordingly, the Jumbo Plan Account balance maintained under the Plan for each individual who was a participant in the Jumbo Plan on the Jumbo Transfer Date was, immediately after such date, credited with a dollar amount equal to that individual’s account balance under the Jumbo Plan immediately prior to the Jumbo Transfer Date.

A.3 Investment of Account Balance. The account balances transferred from the Jumbo Plan to the Plan were invested in accordance with each Participant’s new investment directive. In the absence of such directives, the transferred account balances were invested in such Fund or Funds as the Committee deemed appropriate, in its sole and absolute discretion.

A.4 Service Credit. Each Participant in the Plan shall, for eligibility and vesting purposes under the Plan, be credited with all Service credited to such Participant for vesting and contribution purposes under the Jumbo Plan immediately prior to the Jumbo Transfer Date.

A.5 Protected Benefits. The terms and provisions of the Plan shall govern the rights, benefits and entitlements of all Participants and any other individuals who have an interest in any outstanding Account balance under the Plan. The terms and provisions of the Jumbo Plan shall, as of the Jumbo Transfer Date, be extinguished and cease to have any force or effect. However, any benefits accrued under the Jumbo Plan prior to the Jumbo Transfer Date shall, to the extent these benefits are protected benefits under Code Section 411(d)(6) (the “Protected Benefits”), be preserved under the Plan and shall not in any way be affected, reduced or eliminated as a result of the merger of the Jumbo Plan with and into the Plan. Other than as set forth in the Plan, there are no Protected Benefits for Participants who had account balances in the Jumbo Plan as of the Jumbo Transfer Date.

APPENDIX B

TRANSFERS OF CERTAIN ASSETS TO OR FROM THE GO. COM PLAN

A. Transfer of Assets to the Go. Com Plan

Certain assets of the Disney Salaried Savings and Investment Plan (the “Disney Plan”) representing the accounts of eligible salaried employees of the Walt Disney Company (“Disney”) who became employees of Go. Com. on or after March 31, 2000 were transferred from the Disney Plan, effective on or about April 1, 2000 to the Go. Com 401(k) Savings and Investment Plan (the “Go. Com Plan”). The transfer of assets from the Disney Plan into the Go. Com Plan was effected in accordance with the following provisions:

- 1. Transfer of Account Balances.** The outstanding account balances of the salaried Disney employees under the Disney Plan were transferred to the Go. Com Plan through a direct transfer from the trust fund for the Disney Plan to the Trust Fund for the Go. Com Plan effected on or about April 2000 (the Disney Transfer Date).
- 2. Amount of Account Balance.** The account balance credited to each eligible Disney salaried employee under the Disney Plan immediately prior to the Transfer Date was credited to the Account (the “Go. Com Plan Account”) maintained for such individual under the Go. Com Plan immediately after the Transfer Date.
- 3. Protected Benefits.** Other than as set forth in the Disney Plan, there are no Protected Benefits for Participants who had account balances in the Disney Plan as of the Transfer Date.

B. Transfer of Assets from the Go. ComPlan

Effective on July 27, 2005, the portion of the Go. Com Savings and Investment Plan (the “Go. Com Plan”) attributable to the accounts of individuals who were Participants of the Plan on such date was merged with and into the Plan.

- 1. Transfer of Account Balances.** The Plan shall separately account for the portion of the Accounts of each Participant that is attributable to allocations made under the Go. Com Plan before the merger, which shall equal the Participant’s interest in the Go. Com Plan immediately before the merger, as adjusted to reflect subsequent investment experience, distributions, withdrawals, and other adjustments provided under the Plan. The portion of a Participant’s Accounts attributable to the Go. Com Plan shall be nonforfeitable.
- 2. Investment of Account Balance.** The funds transferred from the Go. Com Plan were initially invested in such Investment Fund(s) as were set forth in the fund mapping rules communicated to affected Participants before the transfer and may be transferred to other Investment Funds in accordance with Section 6.01 of the Plan.

3. **Service Credit**. Each Participant with an account balance under the Go. Com Plan immediately before the merger shall, for eligibility purposes under the Plan, be credited with all service credited to such Participant for eligibility purposes under the Go. Com Plan as of July 27, 2005, to the extent not otherwise credited pursuant to any other Plan provision.

4. **Protected Benefits**. A Participant or a Beneficiary of a Participant with an account balance under the Go. Com Plan immediately before the merger shall be entitled to elect any withdrawal or distribution option offered under the generally applicable provisions of the Plan with respect to the portion of his Accounts that is attributable to the Go. Com Plan, but only if the Participant or Beneficiary complies with the provisions of the Plan that govern the election of such withdrawal and distribution options and subject to any restrictions on distributions or withdrawals that may be required by applicable law due to the nature of the underlying contributions. Benefit rights and optional forms of benefit of the Go. Com Plan as they existed as of July 27, 2005 that are not available under the Plan shall be preserved under this Plan with respect to accounts transferred from the Go. Com Plan, but only to the extent required by Code Section 411(d)(6). Other than as set forth in the Plan, there are no benefit rights or optional forms that are required to be preserved for Participants described in this Appendix.

APPENDIX C

RECOGNITION OF SERVICE WITH ACQUISITIONS

OR PREDECESSOR EMPLOYERS

1. On October 25, 2001, the Company acquired ABC Family, Inc. (formerly Fox Family, Inc.). ABC Family, Inc. became a participating Employer on April 28, 2002. Notwithstanding any contrary provision of the Plan, the Employment Commencement Date for any Employee of ABC Family, Inc. assigned to a Disney business unit shall be the first date as of which he would have been credited with an Hour of Service for ABC Family, Inc. if ABC Family, Inc. had been an Employer or Affiliated Employer on such date; provided, however, that no Employee of ABC Family, Inc. shall become a Participant before April 28, 2002.
2. On October 24, 2001, the Company acquired Baby Einstein Company. Baby Einstein Company became a participating Employer on April 1, 2002. Notwithstanding any contrary provision of the Plan, the Employment Commencement Date for any Employee of Baby Einstein Company shall be the first date as of which he would have been credited with an Hour of Service for Baby Einstein Company if Baby Einstein Company had been an Employer or Affiliated Employer on such date; provided, however, that no Employee of Baby Einstein Company shall become a Participant before April 1, 2002.
3. On May 11, 2005, the Company acquired the assets of Avalanche Software, LC. Notwithstanding any contrary provision of the Plan, the Employment Commencement Date for any Employee whose employment with an Employer immediately followed employment with Avalanche Software, LC shall be the first date as of which he would have been credited with an Hour of Service for Avalanche Software, LC if Avalanche Software, LC had been an Employer or Affiliated Employer on such date; provided, however, that no prior employee of Avalanche Software, LC shall become a Participant before May 11, 2005.

APPENDIX D

TRANSFER OF ASSETS FROM THE FOX PLAN

Effective on May 16, 2005, the portion of the Fox Family Worldwide, Inc. & Subsidiaries 401(k) Profit Sharing Plan (the "Fox Plan") attributable to the accounts of individuals who were Participants of the Plan on such date was merged with and into the Plan.

1. **Transfer of Account Balances**. The Plan shall separately account for the portion of the Accounts of each Participant that is attributable to allocations made under the Fox Plan before the merger, which shall equal the Participant's interest in the Fox Plan immediately before the merger, as adjusted to reflect subsequent investment experience, distributions, withdrawals, and other adjustments provided under the Plan. The portion of a Participant's Accounts attributable to the Fox Plan shall be nonforfeitable.
2. **Investment of Account Balance**. The funds transferred from the Fox Plan were initially invested in such Investment Fund(s) as were set forth in the fund mapping rules communicated to affected Participants before the transfer and may be transferred to other Investment Funds in accordance with Section 6.01 of the Plan.
3. **Service Credit**. Each Participant with an account balance under the Fox Plan immediately before the merger shall, for eligibility purposes under the Plan, be credited with all service credited to such Participant for eligibility purposes under the Fox Plan as of May 16, 2005, to the extent not otherwise credited pursuant to any other Plan provision.
4. **Protected Benefits**. A Participant or a Beneficiary of a Participant with an account balance under the Fox Plan immediately before the merger shall be entitled to elect any withdrawal or distribution option offered under the generally applicable provisions of the Plan with respect to the portion of his Accounts that is attributable to the Fox Plan, but only if the Participant or Beneficiary complies with the provisions of the Plan that govern the election of such withdrawal and distribution options and subject to any restrictions on distributions or withdrawals that may be required by applicable law due to the nature of the underlying contributions. Benefit rights and optional forms of benefit of the Fox Plan as they existed as of May 16, 2005, other than the installment option described in Section 4.03(a)(ii) of the Fox Plan and the annuity option described in Section 4.03(a)(iii) of the Fox Plan, that are not available under the Plan shall be preserved under this Plan with respect to accounts transferred from the Fox Plan, but only to the extent required by Code Section 411(d)(6). Other than as set forth in the Plan, there are no benefit rights or optional forms that are required to be preserved for Participants described in this Appendix.

APPENDIX E

TRANSFER OF ASSETS FROM THE MIRAMAX PLAN

Effective on December 1, 2006, the Miramax Films 401(k) Savings Plan (the "Miramax Plan") was merged with and into the Plan.

- 1. Transfer of Account Balances.** The Plan shall separately account for the portion of the Accounts of each Participant that is attributable to allocations made under the Miramax Plan before the merger, which shall equal the Participant's interest in the Miramax Plan immediately before the merger, as adjusted to reflect subsequent investment experience, distributions, withdrawals, and other adjustments provided under the Plan. The portion of a Participant's Accounts attributable to the Miramax Plan shall be nonforfeitable.
- 2. Investment of Account Balance.** The funds transferred from the Miramax Plan were initially invested in such Investment Fund(s) as were set forth in the fund mapping rules communicated to affected Participants before the transfer and may be transferred to other Investment Funds in accordance with Section 6.01 of the Plan.
- 3. Service Credit.** Each Participant with an account balance under the Miramax Plan immediately before the merger shall, for eligibility purposes under the Plan, be credited with all service credited to such Participant for eligibility purposes under the Miramax Plan as of December 1, 2006, to the extent not otherwise credited pursuant to any other Plan provision.
- 4. Protected Benefits.** A Participant or a Beneficiary of a Participant with an account balance under the Miramax Plan immediately before the merger shall be entitled to elect any withdrawal or distribution option offered under the generally applicable provisions of the Plan with respect to the portion of his Accounts that is attributable to the Miramax Plan, but only if the Participant or Beneficiary complies with the provisions of the Plan that govern the election of such withdrawal and distribution options and subject to any restrictions on distributions or withdrawals that may be required by applicable law due to the nature of the underlying contributions. Benefit rights and optional forms of benefit of the Miramax Plan as they existed as of December 1, 2006 that are not available under the Plan shall be preserved under this Plan with respect to accounts transferred from the Miramax Plan, but only to the extent required by Code Section 411(d)(6). Other than as set forth in the Plan, there are no benefit rights or optional forms that are required to be preserved for Participants described in this Appendix.

APPENDIX F

TRANSFER OF ASSETS FROM THE DREAM QUEST PLAN

Effective on December 1, 2006, the Dream Quest Images 401(k) Profit Sharing Plan (the "Dream Quest Plan") was merged with and into the Plan.

- 1. Transfer of Account Balances.** The Plan shall separately account for the portion of the Accounts of each Participant that is attributable to allocations made under the Dream Quest Plan before the merger, which shall equal the Participant's interest in the Dream Quest Plan immediately before the merger, as adjusted to reflect subsequent investment experience, distributions, withdrawals, and other adjustments provided under the Plan. The portion of a Participant's Accounts attributable to the Dream Quest Plan shall be nonforfeitable.
- 2. Investment of Account Balance.** The funds transferred from the Dream Quest Plan were initially invested in such Investment Fund(s) as were set forth in the fund mapping rules communicated to affected Participants before the transfer and may be transferred to other Investment Funds in accordance with Section 6.01 of the Plan.
- 3. Service Credit.** Each Participant with an account balance under the Dream Quest Plan immediately before the merger shall, for eligibility purposes under the Plan, be credited with all service credited to such Participant for eligibility purposes under the Dream Quest Plan as of December 1, 2006, to the extent not otherwise credited pursuant to any other Plan provision.
- 4. Protected Benefits.** A Participant or a Beneficiary of a Participant with an account balance under the Dream Quest Plan immediately before the merger shall be entitled to elect any withdrawal or distribution option offered under the generally applicable provisions of the Plan with respect to the portion of his Accounts that is attributable to the Dream Quest Plan, but only if the Participant or Beneficiary complies with the provisions of the Plan that govern the election of such withdrawal and distribution options and subject to any restrictions on distributions or withdrawals that may be required by applicable law due to the nature of the underlying contributions. Benefit rights and optional forms of benefit of the Dream Quest Plan as they existed as of December 1, 2006 that are not available under the Plan shall be preserved under this Plan with respect to accounts transferred from the Dream Quest Plan, but only to the extent required by Code Section 411(d)(6). Other than as set forth in the Plan, there are no benefit rights or optional forms that are required to be preserved for Participants described in this Appendix.

APPENDIX G

TRANSFER OF ASSETS FROM THE MAMMOTH RECORDS PLAN

Effective on December 1, 2006, the Mammoth Records 401(k) Plan (the "Mammoth Plan") was merged with and into the Plan.

- 1. Transfer of Account Balances.** The Plan shall separately account for the portion of the Accounts of each Participant that is attributable to allocations made under the Mammoth Plan before the merger, which shall equal the Participant's interest in the Mammoth Plan immediately before the merger, as adjusted to reflect subsequent investment experience, distributions, withdrawals, and other adjustments provided under the Plan. The portion of a Participant's Accounts attributable to the Mammoth Plan shall be nonforfeitable.
- 2. Investment of Account Balance.** The funds transferred from the Mammoth Plan were initially invested in such Investment Fund(s) as were set forth in the fund mapping rules communicated to affected Participants before the transfer and may be transferred to other Investment Funds in accordance with Section 6.01 of the Plan.
- 3. Service Credit.** Each Participant with an account balance under the Mammoth Plan immediately before the merger shall, for eligibility purposes under the Plan, be credited with all service credited to such Participant for eligibility purposes under the Mammoth Plan as of December 1, 2006, to the extent not otherwise credited pursuant to any other Plan provision.
- 4. Protected Benefits.** A Participant or a Beneficiary of a Participant with an account balance under the Mammoth Plan immediately before the merger shall be entitled to elect any withdrawal or distribution option offered under the generally applicable provisions of the Plan with respect to the portion of his Accounts that is attributable to the Mammoth Plan, but only if the Participant or Beneficiary complies with the provisions of the Plan that govern the election of such withdrawal and distribution options and subject to any restrictions on distributions or withdrawals that may be required by applicable law due to the nature of the underlying contributions. Benefit rights and optional forms of benefit of the Mammoth Plan as they existed as of December 1, 2006 that are not available under the Plan shall be preserved under this Plan with respect to accounts transferred from the Mammoth Plan, but only to the extent required by Code Section 411(d)(6). Other than as set forth in the Plan, there are no benefit rights or optional forms that are required to be preserved for Participants described in this Appendix.

APPENDIX H

TRANSFER OF ASSETS FROM THE ABC, INC. SAVINGS & INVESTMENT PLAN

Effective on February 1, 2007 (the “Merger Date”), the ABC, Inc. Savings & Investment Plan (the “ABC Plan”) was merged with and into the Plan.

- 1. Transfer of Account Balances**. The Plan shall separately account for the portion of the Accounts of each Participant that is attributable to allocations made under the ABC Plan before the merger, which shall equal the Participant’s interest in the ABC Plan immediately before the merger, as adjusted to reflect subsequent investment experience, distributions, withdrawals, and other adjustments provided under the Plan. The portion of a Participant’s Accounts attributable to the ABC Plan shall be nonforfeitable, except as provided otherwise under the terms of the ABC Plan for a Participant who was not an Employee as of the Merger Date. For purposes of the Plan, amounts attributable to rollover contributions, pre-tax contributions, matching contributions, and after-tax contributions, if any, that are transferred from the ABC Plan for a Participant shall be treated as subaccounts under the Rollover Account, Tax-Deferred Account, Matching Account, and After-Tax Account, respectively, maintained for the Participant under the Plan.
- 2. Investment of Account Balance**. The funds transferred from the ABC Plan were initially invested in such Investment Fund(s) as were set forth in the fund mapping rules communicated to affected Participants before the transfer and may be transferred to other Investment Funds in accordance with Section 6.01 of the Plan.
- 3. Service Credit**. Each Participant with an account balance under the ABC Plan immediately before the merger shall, for eligibility purposes under the Plan, be credited with all service credited to such Participant for eligibility purposes under the ABC Plan as of the Merger Date, to the extent not otherwise credited pursuant to any Plan provision.
- 4. Loans**. Loans made from the ABC Plan before the Merger Date shall continue to be governed by Article X of the ABC Plan, which is incorporated herein by reference. Loans made after the Merger Date shall be governed by Article 7 of the Plan.
- 5. Benefit Rights and Optional Forms**. A Participant or Beneficiary of a Participant with an account balance under the ABC Plan immediately before the merger shall be entitled to elect any withdrawal or distribution option offered under the generally applicable provisions of the Plan with

respect to the portion of his Accounts that is attributable to the ABC Plan, but only if the Participant or Beneficiary complies with the provisions of the Plan that govern the election of such withdrawal and distribution options and subject to any restrictions on distributions or withdrawals that may be required by applicable law due to the nature of the underlying contributions. Benefit rights, spousal consent provisions (on loans, withdrawals, and/or distributions) and other requirements, and optional forms of benefit with respect to any amounts previously transferred to the ABC Plan from another plan that are described in Schedules of the ABC Plan, are provided under the ABC Plan immediately before the Merger Date, and are not provided for under the Plan shall be preserved under this Plan with respect to amounts described in such Schedules that have been transferred to the Plan from the ABC Plan. The Schedules of the ABC Plan referenced in the preceding sentence include:

- A. Schedule IX, relating to amounts transferred to the ABC Plan from the Satellite Music Network, Inc. 401(k) Plan;
- B. Schedule X, relating to amounts transferred to the ABC Plan from the Institutional Investor, Inc. Employee Savings Plan;
- C. Schedule XII, relating to amounts transferred to the ABC Plan from the International Medical News Group Profit Sharing Plan;
- D. Schedule XXI, relating to amounts transferred to the ABC Plan from the WTVG, Inc. Employees Savings & Retirement Plan or the WJRT 401(k) Plan & Trust;
- E. Schedule XXVI, relating to amounts transferred to the ABC Plan from the Fairchild Publications, Inc. Publishing Pension Plan;
- F. Schedule XXVII, relating to amounts transferred to the ABC Plan from the Employee Profit Sharing Plan of ABC, Inc.;
- G. Schedule XXIX, relating to amounts transferred to the ABC Plan from the Fox Family Worldwide, Inc. & Subsidiaries 401(k) Profit Sharing Plan; and
- H. Schedule XXX, relating to amounts transferred to the ABC Plan from the GO.com Savings and Investment Plan.

APPENDIX I
EMPLOYEES TRANSFERRED FROM
DESIGNATED DISNEY AFFILIATED COMPANIES

Each individual employed by an Employer or an Affiliated Employer on or after August 1, 2012 who transferred or transfers from employment with one of the following:

- Hong Kong International Theme Parks Limited
- Hong Kong Disneyland Management Limited
- Euro Disney SCA
- Euro Disney Associates SCA
- ED Spectacles SARL
- Setemo Imagineering SARL
- Euro Disney SAS
- Euro Disneyland Imagineering SARL
- Shanghai International Theme Park and Resort Management Company Limited
- Shanghai International Theme Park Company Limited
- Shanghai International Theme Park Associated Facilities Company Limited
- Disney International Employment Services Inc.

directly to employment as a Covered Employee shall have his prior service with such entity taken into account, in accordance with Plan rules for crediting service, for purposes of determining his completion of sufficient service to be considered an Eligible Employee pursuant to Section 1.23 or to qualify for Matching Contributions pursuant to Section 3.02(b).

IN WITNESS WHEREOF, the Committee has caused this instrument to be executed by its duly authorized representative this 31st day of December, 2015.

By: /s/ Eugene M. Holmes

**FIRST AMENDMENT TO THE
DISNEY SAVINGS AND INVESTMENT PLAN
AS AMENDED AND RESTATED EFFECTIVE JANUARY 1, 2015
(WITH AMENDMENTS ADOPTED THROUGH DECEMBER 2015)**

WHEREAS, The Walt Disney Company (the “Company”) maintains the Disney Savings and Investment Plan, as amended and restated effective January 1, 2015 (with amendments adopted through December 2015) (the “Plan”); and

WHEREAS, Article 12 of the Plan authorizes the Committee under the Plan to make certain Plan amendments; and

WHEREAS, the Committee desires to amend the Plan to provide for the automatic enrollment of newly-hired, rehired and transferred eligible employees;

NOW, THEREFORE , this First Amendment to the Plan is hereby adopted, effective as of January 1, 2017, as set forth below:

1. Section 2.02 of the Plan is hereby amended in its entirety to read as follows:

2.02 Participation

Any individual who was a Participant in the Plan immediately preceding the Effective Date shall be considered a Participant on the Effective Date. Thereafter, an Eligible Employee shall become a Participant as of the first Enrollment Date after he:

- (a) authorizes his Tax-Deferred Contributions in accordance with Section 3.01 or Roth Contributions in accordance with Section 3.08;
- (b) names a Beneficiary; and
- (c) selects investment fund(s) pursuant to Article 6 ;

provided, however, that, except as provided in Section 2.03 or 2.05(b) for a person who is reemployed or transferred, an Eligible Employee who, under Section 3.01(b)(iv), is deemed to elect to have Tax-Deferred Contributions made on his behalf shall become a Participant on his Automatic Enrollment Date (as defined in Section 3.01(b)(iv)).

The Company may, in its sole and absolute discretion, waive any or all of the participation requirements set forth above for the Employees of any Employer.

2. The following new paragraphs (iv) and (v) are hereby added at the end of Section 3.01(b) of the Plan:

(iv) Any Eligible Employee or former Eligible Employee who:

(A) first becomes or again becomes an Eligible Employee on or after January 1, 2017, and

(B) does not make an election after becoming or again becoming an Eligible Employee and before his Automatic Enrollment Date (defined below) either (I) to make Tax-Deferred Contributions (in any percentage) under this Section 3.01(b), (II) to make Roth Contributions (in any percentage) under Section 3.08(b), or (III) to make no Tax-Deferred Contributions under Section 3.01(c),

shall be deemed to have entered into an agreement with his Employer to have Tax-Deferred Contributions in the amount of 4% of his future Compensation contributed to the Plan by his Employer on his behalf. Such deemed election shall be effective on and after the Eligible Employee's Automatic Enrollment Date and shall remain in effect until and unless such election is suspended, cancelled or changed in accordance with another provision of the Plan. An Eligible Employee's "Automatic Enrollment Date" shall be the first day of the first payroll period that begins at least 30 days after the date he becomes or again becomes an Eligible Employee.

(v) Effective January 1, 2018, and each January 1st thereafter, an Eligible Employee whose Tax-Deferred Contributions are, as of that date, being made pursuant to a deemed election under paragraph (iv) above (including any prior increase under this paragraph) shall be deemed to have further elected to increase the percentage of his future Compensation to be contributed to the Plan as Tax-Deferred Contributions by 1%, provided that an Eligible Employee's contribution percentage shall not be increased above 10% by reason of this paragraph.

3. The first paragraph of Section 3.01(c) of the Plan is hereby amended in its entirety to read as follows:

Tax-Deferred Contribution elections are effective following the Participant's Enrollment Date or as soon as administratively feasible thereafter **or, if applicable, as of his Automatic**

Enrollment Date for a deemed election under Section 3.01(b)(iv). An election **or deemed election** of Tax-Deferred Contributions shall remain in force until **suspended, cancelled or** changed in the form and manner specified by the Committee **or in accordance with another provision of the Plan**. A Participant may elect to cease contributions at any time. Elections to increase, decrease or cease Tax-Deferred Contributions are effective as soon as administratively possible following receipt by the Committee. A Participant may not change his election with respect to Tax-Deferred Contributions already made by payroll deduction. Notwithstanding the foregoing, if a Participant is reclassified or transferred to an employment category not included among Eligible Employees, deferrals shall cease as of the first payroll period in which the reclassification or transfer is effective.

IN WITNESS WHEREOF, the undersigned has caused this First Amendment to be executed this 19th day of December, 2016.

/s/ JEFFREY E. SHAPIRO

Jeffrey E. Shapiro

THE WALT DISNEY COMPANY
RATIO OF EARNINGS TO FIXED CHARGES
(AMOUNTS IN MILLIONS, EXCEPT RATIOS)

	Fiscal Year Ended				
	2017	2016	2015	2014	2013
EARNINGS					
Income from continuing operations before income taxes	\$ 13,788	\$ 14,868	\$ 13,868	\$ 12,246	\$ 9,620
Equity in the income of investees	(320)	(926)	(814)	(854)	(688)
Cash distributions received from equity investees	788	799	752	718	694
Interest expense, amortization of debt discounts and premiums on all indebtedness and amortization of capitalized interest	589	433	325	360	415
Imputed interest on operating leases ⁽¹⁾	289	282	286	294	292
TOTAL EARNINGS	\$ 15,134	\$ 15,456	\$ 14,417	\$ 12,764	\$ 10,333
FIXED CHARGES					
Interest expense and amortization of debt discounts and premiums on all indebtedness	\$ 507	\$ 354	\$ 265	\$ 294	\$ 349
Capitalized interest	87	139	110	73	77
Imputed interest on operating leases ⁽¹⁾	289	282	286	294	292
TOTAL FIXED CHARGES	\$ 883	\$ 775	\$ 661	\$ 661	\$ 718
RATIO OF EARNINGS TO FIXED CHARGES ⁽²⁾	17.1	19.9	21.8	19.3	14.4

⁽¹⁾ The portion of operating rental expense which management believes is representative of the interest component of rent expense.

⁽²⁾ The ratio does not adjust for interest on unrecognized tax benefits that are recorded as a component of income tax expense.

Name of Subsidiary	Country of Incorporation
ABC Cable Networks Group	United States
ABC Family Worldwide, Inc.	United States
ABC Holding Company Inc.	United States
ABC, Inc.	United States
American Broadcasting Companies, Inc.	United States
BAMTech, LLC	United States
Buena Vista Home Entertainment, Inc.	United States
Buena Vista International, Inc.	United States
Buena Vista Pay Television, Inc.	United States
Buena Vista Television, LLC	United States
Buena Vista Theatrical Group Ltd.	United States
Buena Vista Video On Demand	United States
Cable LT Holdings, Inc.	United States
Disney Destinations, LLC	United States
Disney Enterprises, Inc.	United States
Disney FTC Services (Singapore) Pte. Ltd.	Singapore
Disney Online	United States
Disney Vacation Club Management Corp.	United States
Disney Vacation Development, Inc.	United States
Disney Worldwide Services, Inc.	United States
Disney/ABC International Television, Inc.	United States
ESPN Classics, Inc.	United States
ESPN Enterprises, Inc.	United States
ESPN, Inc.	United States
ESPN Productions, Inc.	United States
Euro Disney Associates S.C.A	France
Hong Kong Disneyland Management Limited	Hong Kong
Imprint, Inc.	United States
International Family Entertainment, Inc.	United States
LFL Productions Limited	United States
Lucasfilm Entertainment Company Ltd. LLC	United States
Lucasfilm Ltd. LLC	United States
Magical Cruise Company, Limited	United Kingdom
Maker Studios, Inc.	United States
Marvel Characters B.V.	Netherlands
Marvel Entertainment, LLC	United States
Marvel Studios LLC	United States
MVL Film Finance LLC	United States
MVL International C.V.	Netherlands
Pixar	United States
Shanghai International Theme Park Associated Facilities Limited	China
Shanghai International Theme Park Company Limited	China
The Walt Disney Company (China) Limited	China
The Walt Disney Company Limited	United Kingdom
Touchstone Television Productions, LLC	United States

UTV Software Communications Limited	India
Walt Disney Parks & Resorts U.S., Inc.	United States
Walt Disney Pictures	United States
Walt Disney Pictures Productions, LLC	United States
Walt Disney Travel Co., Inc.	United States
WD Holdings (Shanghai), LLC	United States
Wedco Global Ventures Three LP	United Kingdom
Wedco International Holdings, Inc.	United States

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (No. 333-183125, 333-176194, 333-133840, 333-128860, and 333-116952) and Form S-3 (No. 333-216070, 333-212597, and 333-211269) of The Walt Disney Company of our report dated November 22, 2017 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PRICEWATERHOUSECOOPERS LLP

Los Angeles, California
November 22, 2017

**RULE 13a-14(a) CERTIFICATION IN
ACCORDANCE WITH SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002**

I, Robert A. Iger, Chairman and Chief Executive Officer of The Walt Disney Company (the "Company"), certify that:

1. I have reviewed this annual report on Form 10-K of the Company;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 22, 2017

By: /s/ ROBERT A. IGER

Robert A. Iger

Chairman and Chief Executive Officer

**RULE 13a-14(a) CERTIFICATION IN
ACCORDANCE WITH SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002**

I, Christine M. McCarthy, Senior Executive Vice President and Chief Financial Officer of The Walt Disney Company (the "Company"), certify that:

1. I have reviewed this annual report on Form 10-K of the Company;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 22, 2017

By: /s/ CHRISTINE M. MCCARTHY

Christine M. McCarthy
Senior Executive Vice President
and Chief Financial Officer

**CERTIFICATION PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002***

In connection with the Annual Report of The Walt Disney Company (the "Company") on Form 10-K for the fiscal year ended September 30, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Robert A. Iger, Chairman and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

By: /s/ ROBERT A. IGER
Robert A. Iger
Chairman and Chief Executive Officer
November 22, 2017

* A signed original of this written statement required by Section 906 has been provided to The Walt Disney Company and will be retained by The Walt Disney Company and furnished to the Securities and Exchange Commission or its staff upon request.

**CERTIFICATION PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002***

In connection with the Annual Report of The Walt Disney Company (the "Company") on Form 10-K for the fiscal year ended September 30, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Christine M. McCarthy, Senior Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

By: /s/ CHRISTINE M. MCCARTHY

Christine M. McCarthy

Senior Executive Vice President
and Chief Financial Officer

November 22, 2017

* A signed original of this written statement required by Section 906 has been provided to The Walt Disney Company and will be retained by The Walt Disney Company and furnished to the Securities and Exchange Commission or its staff upon request.