

WALT DISNEY CO/  
Form 424B5  
March 27, 2007

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Registration No. 333-34167

Prospectus dated March 22, 2007  
7,794,666 shares of Common Stock

### The Walt Disney Company Investment Plan

#### A Direct Stock Purchase Plan for Disney Common Stock

The Walt Disney Company is pleased to offer **The Walt Disney Company Investment Plan**, a direct stock purchase plan designed to provide investors with a convenient method to purchase shares of Disney common stock and to reinvest cash dividends in the purchase of additional shares.

Key features of the Plan are summarized below:

- If you currently own fewer than 10 shares of Disney common stock, or do not currently own any shares of Disney common stock at all, you may join the Plan by completing an enrollment form and either making an initial cash investment of at least \$1,000 or authorizing monthly deductions of at least \$100 from a qualified bank account for the purchase of Disney common stock.
  - If you currently own at least 10 shares of Disney common stock, registered in your name, you may participate in the Plan simply by completing and returning an enrollment form. If you own at least 10 shares but they are currently held by a bank or broker in its name (that is, in street name ), you will need to instruct your agent to transfer your Disney shares to an account registered in your name via the Direct Registration System (DRS). In order to do so, you must provide your broker with the Disney DTC Transfer Agent FAST number: 7829. Once the process is completed, you will receive a transaction advice from us.
  - Once you have enrolled, you may make additional in-vestments of \$100 or more by check or through automatic monthly deductions from a qualified bank account.
  - All cash dividends will be reinvested automatically in additional shares of Disney common stock.
  - As a participant, you may (but are not required to) deposit your Disney common stock certificates with the Plan Administrator for safekeeping.
  - You may sell all or any portion of your Disney common stock through the Plan.
  - Participation in the Plan is subject to the payment of certain fees in connection with enrollment and the purchase and sale of shares.
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Disney common stock is listed on the New York Stock Exchange under the symbol DIS. On March 21, 2007, the closing price of Disney common stock on the New York Stock Exchange was \$35.17 per share.

**THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION, NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.**

**NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THIS PROSPECTUS. IF ANY OTHER INFORMATION OR REPRESENTATIONS ARE GIVEN OR MADE, YOU MUST NOT RELY UPON THEM AS HAVING BEEN AUTHORIZED.**

This Prospectus does not constitute an offer to sell or a solicitation of an offer to buy shares of Disney common stock in any state or other jurisdiction to any person to whom it is unlawful to make such an offer or solicitation. To the extent required by applicable law in certain jurisdictions, shares offered under the Plan to persons who are not record holders of Disney common stock are offered only through a registered broker/dealer in those jurisdictions.

Neither the delivery of this Prospectus nor any sale made hereunder should be deemed to imply that there has been no change in Disney's affairs since the date of this Prospectus or that the information herein is correct as of any time subsequent to its date.

**Investing in our common stock involves risks. Before purchasing common stock pursuant to the Plan, you should read the Risk Factors section on page 1.**

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**Risk Factors**

Our business is subject to significant risks. You should carefully consider the risks and uncertainties described in this Prospectus and the documents incorporated by reference herein, including the risks and uncertainties described in our consolidated financial statements and the notes to those financial statements and the risks and uncertainties described under the caption "Risk Factors" included in Part I, Item 1A of our Annual Report on Form 10-K for the year ended September 30, 2006, and updates in Part II, Item 1A of our Form 10-Q filings, which are incorporated by reference in this Prospectus. If any of the risks and uncertainties described in this Prospectus or the documents incorporated by reference herein actually occur, our business, financial condition and results of operations could be adversely affected in a material way. This could cause the trading price of our common stock to decline, perhaps significantly, and you may lose part or all of your investment.

**The Walt Disney Company**

Disney is a Delaware corporation having its principal executive offices at 500 South Buena Vista Street, Burbank, California 91521 (telephone: (818) 560-1000).

Disney, together with its subsidiaries, is a diversified international entertainment enterprise with operations in four principal business segments: Media Networks, Parks and Resorts, Studio Entertainment and Consumer Products.

The Media Networks segment is comprised of a domestic broadcast television network, domestic television stations, cable/satellite networks and international broadcast operations, television production and distribution, domestic broadcast radio networks and stations and internet and mobile operations.

The Parks and Resorts segment includes the ownership and operation of Walt Disney World Resort and Disney Cruise Line in Florida, the Disneyland Resort in California and ESPN Zone facilities in

several states. Disney manages and has effective ownership interests of 51% and 43%, respectively, in the Disneyland Resort Paris and Hong Kong Disneyland, which opened in September 2005. Disney also licenses the operations of the Tokyo Disney Resort in Japan. Disney's Walt Disney Imagineering unit designs and develops new theme park concepts and attractions as well as resort properties.

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

The Consumer Products segment partners with licensees, manufacturers, publishers and retailers throughout the world to design, promote and sell a wide variety of products based on existing and new Disney characters and other intellectual property.

**Available Information; Incorporation of Documents by Reference**

We are subject to the information and reporting requirements of the Securities Exchange Act of 1934, as amended (the Exchange Act), and, accordingly, file reports, proxy statements and other information with the Securities and Exchange Commission (the SEC). These materials may be inspected and copied at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Please contact the SEC at (800) SEC-0330 for information on the operation of the Public Reference Room. In addition, our SEC filings are available to the public at the SEC's Internet site at [www.sec.gov](http://www.sec.gov).

This Prospectus constitutes part of a Registration Statement on Form S-3 that we filed with the SEC. This Prospectus does not contain all of the information set forth in the Registration Statement, some parts of which are omitted in accordance with the rules and regulations of the SEC. For further information, reference is hereby made to the Registration Statement and all amendments and exhibits thereto.

We are incorporating certain documents into this Prospectus by reference, which means that we are disclosing important information to

you by referring you to documents that contain such information. The information incorporated by reference is an important part of this Prospectus, and information we file later with the SEC will automatically update and supersede the information in this Prospectus and in documents incorporated by reference. We incorporate by reference the documents listed below that we have previously filed with the SEC:

- (1) Disney's Annual Report on Form 10-K for the fiscal year ended September 30, 2006 filed on November 22, 2006.
- (2) Disney's Quarterly Report on Form 10-Q for the quarterly period ended December 30, 2006 filed on February 7, 2007.
- (3) Disney's Current Reports on Form 8-K filed on December 1, 2006, December 15, 2006 and March 13, 2007.
- (4) Disney's Registration Statement on Form 8-A filed on November 17, 1999.

We are also incorporating by reference all future documents that we file with the SEC pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act prior to the termination of this offering (other than information in such documents that is deemed not to be filed). In addition, all filings that we file with the SEC pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of this amendment to the Registration Statement and prior to the effectiveness of the Registration Statement shall be deemed to be incorporated by reference herein.

Disney will provide you without charge, upon written or oral request, a copy of any of the documents incorporated by reference. Requests should be directed to Shareholder Services Department, P.O. Box 11447, Burbank, California 91510-1447 (telephone: (818) 553-7200).



Street Address: Disney Shareholder Services  
Suite 6100  
611 North Brand Blvd.  
Glendale, California 91203  
Telephone Inquiries: (818) 553-7200  
Fax: (818) 553-7210

When communicating with the Administrator, you should have available your account number and/or taxpayer identification number.

**4. *What kind of reports will be sent to participants in the Plan?***

Quarterly statements will be sent only to participants with account activity (such as purchase, sale, transfer, deposit, withdrawal of shares or dividend reinvestment) for that quarter. You should retain these statements in order to establish the cost basis of shares purchased under the Plan for income tax and other purposes. In addition, each participant will receive all communications sent to all other shareholders, such as annual reports and proxy statements.

Please note that if you are enrolling only for dividend reinvestment, you will not receive a confirmation notice of your enrollment. Statements will be sent only once per year upon the reinvestment of any dividend.

For immediate notification of account transactions, you may view your account information online at [www.disneyshareholder.com](http://www.disneyshareholder.com).

**5. *Can Plan statements, annual reports and proxy statements be sent electronically?***

*Yes.* You can elect to have your statements and other information sent to you electronically. You can access your account at any time at [www.disneyshareholder.com](http://www.disneyshareholder.com).

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**ELIGIBILITY AND ENROLLMENT**

**6.***How does a Disney shareholder become eligible to participate in the Plan?*

If you are already a Disney shareholder with at least 10 shares of common stock registered directly in your name, either in certificate form or held electronically via the Direct Registration System (DRS), you may enroll in the Plan simply by completing and returning the appropriate enrollment form. If your shares are held in DRS, they will be automatically deposited to the Plan upon enrollment.

If you currently have fewer than 10 shares of Disney common stock registered in your name, you may enroll by completing and returning the appropriate enrollment form and either making an initial investment of at least \$1,000 or authorizing automatic monthly deductions of at least \$100 from a qualified bank account.

**7.***I already own shares, but they are held by my bank or broker and registered in street name. How can I participate?*

If you currently own shares of Disney common stock that are held on your behalf by a bank or broker (that is, in street name ), you will need to instruct your agent to transfer at least 10 of your Disney shares to a DRS account registered in your name. You can accomplish this by requesting your broker to transfer your shares via DRS directly to the books of the Administrator, registered in your name. In order to do so, you must provide your broker with the Disney DTC Transfer Agent FAST number: 7829. Once the process is completed, you will receive a transaction advice showing the deposit of shares in DRS. Upon receipt of the DRS advice, you can ask the Administrator to send you an enrollment package.

Alternatively, you can instruct your agent to issue a stock certificate for at least 10 shares, registered in your name.

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Plan participants may, if they wish, send their share certificates to the Administrator for safekeeping, but doing so is not mandatory. However, in order to sell certificated shares through the Plan, it is necessary that the certificates be deposited with the Administrator. See Questions 21 and 24 below.

8. *I m not currently a shareholder. Can I participate in the Plan?*

If you currently hold no shares of Disney common stock, you may enroll in the Plan by completing and returning an enrollment form for new investors and either making an initial investment of at least \$1,000 or authorizing automatic monthly deductions of at least \$100 from a qualified bank account.

9. *Are there fees associated with enrollment?*

*Yes.* A one-time \$10 enrollment fee is payable with respect to each enrollment. If you are not making an initial cash investment because you already hold at least 10 shares or because you have signed up for automatic monthly deductions of \$100, you will need to include a \$10 check, made payable to Disney Investment Plan, with your enrollment form. If your enrollment form is accompanied by an initial cash investment, the enrollment fee will be deducted from your initial investment, together with a \$5.00 investment fee. An investment fee will also be deducted from each subsequent investment, in the amount of \$5.00 in the case of investments by check, or \$1.00 in the case of automatic deductions. See Question 30 below.

10. *Are there any restrictions on participation in the Plan by shareholders residing outside the United States?*

Regulations in certain countries may limit or prohibit participation in services provided under this type of program. Therefore, persons residing outside the United States should first determine whether they are subject to any governmental regulations prohibiting or limiting their participation before requesting any of the services provided through the Plan.

**OPTIONAL CASH INVESTMENTS**

*11. What are the minimum and maximum amounts for optional cash investments?*

Additional investments may be made in amounts of at least \$100, subject to a maximum of \$250,000 during any calendar year, including your initial investment, if any.

*12. How do I make an optional cash investment?*

You may send a personal check, payable in U.S. dollars to Disney Investment Plan. **Cash and third-party checks are not allowed.** Checks may be accompanied by the appropriate section of your account statement or an Optional Cash Investment coupon. Optional Cash Investment coupons can be obtained by accessing your account at [www.disneyshareholder.com](http://www.disneyshareholder.com). If you do not have a coupon, be sure to write the account number in the memo portion of your check and include a note identifying your account. Mail your optional payment to The Walt Disney Company Investment Plan, 500 South Buena Vista, MC 9722, Burbank, California 91521-9722.

*13. Can I have optional cash investments automatically deducted from my bank account?*

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*Yes.* You can authorize monthly automatic deductions from an account at a financial institution that is a member of the National Automated Clearing House Association. The minimum amount for monthly deductions is \$100.

- To initiate this service, you must send a completed *Automatic Deduction Service* form to the Administrator.
- To change any aspect of the instruction, you must send a revised *Automatic Deduction Service* form to the Administrator.
- To terminate the deductions, you must notify the Administrator in writing, or by calling the Administrator at (818) 553-7200.

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Initial set-up, changes and terminations to the automatic deduction instructions will be made as soon as practicable. Once automatic deductions begin, funds will be deducted from your designated account on the 15th of each month, or the next business day if the 15th is not a business day, and invested within five business days later.

**14.** *Will I be charged fees for optional cash investments?*

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*Yes.* For any investment made by check, a fee of \$5.00 will be deducted prior to investment. A fee of \$1.00 per investment will be deducted prior to investment with respect to any investment made by automatic monthly deduction. See Question 30 below.

15. *How are payments with insufficient funds handled?*

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If the Administrator does not receive credit for a cash payment because of insufficient funds or incorrect draft information, the requested purchase will be deemed void, and the Administrator will immediately remove from your account any shares already purchased upon the prior credit of such funds. The Administrator may also place a hold on the Plan account until an insufficient funds fee of \$20 is received from the participant, or may sell such shares to satisfy any uncollected amounts. If the net proceeds from the sale of shares are insufficient to satisfy the balance of the uncollected amounts, the Administrator may sell additional shares from your account as necessary to satisfy the uncollected balance.

### **PURCHASE OF COMMON STOCK**

16. *What is the source of Disney common stock purchased through the Plan?*

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Generally, share purchases will be made by the Plan's independent purchasing agent in the open market. However, Disney may at its option direct that shares for the Plan be purchased directly from Disney; *provided*, that Disney will not change the source of the shares for the Plan more than once in any three month period.

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Share purchases in the open market may be made on any stock exchange where Disney common stock is traded or by negotiated transactions on such terms as the independent purchasing agent may reasonably determine. Neither Disney nor any participant will have any authority or power to control or influence the date, time or price at which shares may be purchased by the independent purchasing agent, the manner of effecting these purchases or the broker through which these purchases are made.

*17. When will shares be purchased?*

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Initial and optional investment purchases will be made by the independent purchasing agent within five business days from the date we receive your funds. *No interest will be paid on amounts held by the Administrator pending investment.* The Administrator may commingle each participant's funds with those of other participants for the purpose of executing purchases.

*18. What is the price of shares purchased under the Plan?*

Shares purchased by the independent purchasing agent in the open market on any investment date will be credited to a participant's account at the weighted average price incurred to purchase all shares acquired on that date, including brokerage commissions (which commission is currently \$.01 per share but is subject to change without notice). Shares purchased from Disney will be purchased and credited to a participant's account at the average of the high and low sales prices of Disney common stock as reported on the New York Stock Exchange on the date of purchase. No brokerage commissions will be payable with respect to shares acquired from Disney.

### **DIVIDENDS**

19. *Must my dividends be reinvested automatically?*

*Yes.* Cash dividends on all shares of Disney common stock, including fractional shares, held in your account will be reinvested

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automatically in additional shares of Disney common stock. No fees will be charged in connection with dividend reinvestments, although the purchase price will include the brokerage commission applicable to all open market purchases (which commission is currently \$.01 per share but is subject to change without notice). Payment of dividends on common stock is at the discretion of Disney's Board of Directors.

*20. When will my dividends be reinvested and at what price?*

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The reinvestment of your dividends will be completed within five business days of the dividend payment date. The price of shares purchased by the independent purchasing agent with the dividend will be the weighted average price, including brokerage commissions, of all shares purchased with reinvested dividends.

### **SALE OF SHARES**

*21. How do I sell my Plan shares?*

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You may sell any number of shares held in your account by (i) contacting the Administrator by phone at (818) 553-7200 and giving verbal instruction, (ii) completing the appropriate section of your account statement or (iii) preparing a written request and sending it to the Administrator by mail or by fax at (818) 553-7210. The Administrator will forward your request to the Plan's independent purchasing agent, and the agent will sell your shares, along with shares to be sold for other accounts, within five business days. Proceeds from the sale, less a sales fee of \$10 and a brokerage commission (which commission is currently \$.01 per share but is subject to change without notice), will be sent by check to you within five business days following the sale. All payments will be made by check and mailed to the participant. For faster delivery, checks can be sent by an overnight courier for an additional fee of \$15 (\$20 for Saturday delivery). We are unable to wire transfer sale proceeds.

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Please note that shares that you hold in certificate form must first be deposited into your Plan account before they can be sold. See Questions 23 and 24 below.

22. *Is there a minimum number of shares that I must maintain in my account to keep it active?*

*Yes.* You must maintain at least five whole shares of Disney common stock in your Plan account. If your account balance falls below five shares, the Administrator may terminate your participation in the Plan unless you achieve the minimum balance within three months after written notice from the Administrator. Should your account fall below one whole share, the Administrator may terminate your participation in the Plan without written notice. Upon termination, your participation in the Plan will cease. Your whole shares will be converted to book-entry form in DRS, and an advice will be sent to you together with a check for the value of the fractional share, less the \$10 termination fee. If, however, the value of the fractional share is less than the \$10 termination fee, an additional whole share will be liquidated.

If you are a new investor who has signed up for monthly deductions, your account will be exempt from this requirement until you accumulate five whole shares in your account.

**CUSTODIAL SERVICE**

23. *How does the custodial service (book-entry shares) work?*

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All shares of Disney common stock that are purchased through the Plan will be held by the Administrator and reflected in book-entry form in the participant's account on the records of the Administrator. A Plan participant who holds Disney common stock certificates may also, at any time, deposit those certificates for safekeeping with the Administrator, and the shares represented by the deposited certificates will be included in book-entry form in the participant's account.

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24. *How do I deposit my Disney stock certificates with the Administrator?*

To deposit certificates into the Plan, you should send your certificates, by registered and insured mail (insured for 2% of the value of the shares), to the Administrator with written instructions to deposit the shares represented by the certificates in your Plan account. *The certificates should not be endorsed and the assignment section should not be completed.*

25. *Are there any charges associated with this custodial service?*

*No.* There is no cost to you either for having the Administrator hold the shares purchased for you through the Plan or for depositing with the Administrator the stock certificates you hold for the purpose of adding the shares to your book-entry share position.

**ISSUANCE OF STOCK CERTIFICATES**

26. *Will stock certificates be issued for shares acquired through the Plan?*

*No.* Stock certificates will not be issued for shares in a Plan account unless a specific request is made to the Administrator. The Plan's book-entry custodial service eliminates the risk and cost of certificate loss, theft or destruction.

27. *How do I request a stock certificate?*

Certificates for full shares held in the Plan may be obtained, without charge, by contacting the Administrator in writing or by phone at (818) 553-7200 and requesting the issuance of shares in certificate form. Written instructions can be sent by mail or fax to (818) 553-7210.

**GIFTS AND TRANSFERS OF SHARES**

28. *Can I transfer shares that I hold in the Plan to someone else?*

*Yes.* You may transfer ownership of some or all of your Plan shares by sending the Administrator written, signed transfer

instructions. Signatures of all registered holders must be Medallion Guaranteed by a financial institution participating in the Medallion Guarantee program. The Medallion Guarantee program ensures that the individual signing is in fact the owner as indicated on the participant's account. Disney Shareholder Services is a Paperless Legal Transfer Agent. As transfer agent, Disney Shareholder Services relies on the Medallion guaranteed signature of the shareholder or his/her agent to transfer stock. Supporting legal documentation (death certificates, trusts, powers of attorney, letters of testamentary/administration, etc.) must be reviewed and maintained by the guarantor institution. Legal documents that accompany a transfer request sent to Disney will not be reviewed or returned. The Medallion signature guarantee stamp can be obtained at most major banks and brokerage firms.

You may transfer shares to new or existing shareholders; however, a new Plan account will not be opened as a result of a transfer of fewer than 10 shares. If you wish to open a new Plan account for the transferee, you must include written instructions to enroll the new account and include a \$10 check to cover the enrollment fee for each new account.

**29. *What about Gifts to Minors?***

If you are transferring shares to a minor, you need to provide the name of the adult custodian who will be listed on the account. Once the minor has reached the age of majority, the custodian's name can be removed.

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**SERVICE FEES****30. What are the fees associated with participation in the Plan?**

Participation in the Plan is subject to the payment of certain fees as outlined below:

|  |          |
|--|----------|
| One-Time Enrollment Fee  | \$ 10.00 |
| Investment Fees*   |          |
| via check  | \$ 5.00  |
| via automatic investment                                       | \$ 1.00  |
| Sales Fee*   | \$ 10.00 |
| Overnight Courier Fee  | \$ 15.00 |
| Overnight Saturday Delivery Fee                                | \$ 20.00 |
| Termination Fee  | \$ 10.00 |
| Fee for Insufficient Funds or<br>Rejected Automatic Deductions | \$ 20.00 |
| History Research Fee   | \$ 25.00 |

\* Plus a brokerage commission (which commission is currently \$0.01 per share but is subject to change without notice).

**WITHDRAWAL FROM THE PLAN****31. How do I close my Plan account?**

You may terminate your participation in the Plan either by calling (818) 553-7200 and giving verbal instruction or by sending written instructions to the Administrator. Written instructions can be mailed or faxed to (818) 553-7210. Upon termination, your whole shares will be converted to book-entry form in DRS, unless you specifically request to receive a certificate. The DRS advice (or stock certificate) will be sent to you together with a check for the value of any fractional share, less the \$10 termination fee. Alternatively, you can have all of the shares in your Plan account sold for you as described above in Question 21.

A fee of \$10 will be charged on all terminations. In addition, if you elect to have your shares sold, a brokerage commission (which commission is currently \$0.01 per share but is subject to change without notice) will be charged. The per-share commission will also apply to the sale of any fractional share. If you choose to have all whole shares converted to book-entry form in DRS or issued in certificate form and the fractional share amount, if any, does not cover the termination fee, the Administrator may sell a full share to satisfy any uncollected balance.

Any shares converted to book-entry form in DRS or certificate form upon termination will be issued in the name or names in which the account is registered, unless otherwise instructed. If the shares are to be issued in a name other than the name or names on your Plan account, you must include complete transfer instructions signed by all registered shareholders. The signature(s) on the instruction letter must be Medallion Guaranteed by a financial institution participating in the Medallion Guarantee program. See Question 28 above. No certificates will be issued for fractional shares.

The Administrator will process notices of withdrawal and send proceeds to you as soon as practicable, without interest. If a notice of withdrawal is received on or after an ex-dividend date but before the related dividend payment date, the withdrawal will be processed as described above and a separate dividend check will be mailed as soon as practicable following the payment date. Thereafter, cash dividends will be paid out to the shareholder and not reinvested in Disney common stock.

If you are an active participant in the automatic deduction service and request that all of your shares be sold, be aware that you may have a purchase pending that will result in more shares being placed in your account after the original sale request has been completed. If this is the case, the Administrator will automatically sell these additional shares within five business days of the credit to your

account and send you a second check for these proceeds. The \$10 sale fee will be waived in this circumstance but the brokerage commission will still apply.

**ADDITIONAL INFORMATION**

**32. *How would a stock split or stock dividend affect my account?***

Any shares resulting from a stock split or stock dividend paid on shares held in custody for you by the Administrator or held by you in certificate form will be credited to your book-entry position. Of course, you may request a certificate at any time for any or all of your shares. See Question 27 above. If Disney makes a distribution on shares in a form other than cash or shares of Disney common stock, you will receive the distribution in kind.

**33. *How do I vote my Plan shares at shareholders meetings?***

As a Plan participant, you will be sent a proxy statement in connection with each meeting of Disney shareholders, together with a proxy card representing the shares held by the Administrator in your Plan account. You can vote by using the Internet or telephone or by signing, dating and returning the proxy card. Fractional shares will be aggregated and voted in accordance with the participants' directions. If the proxy card is not returned or if it is returned unsigned, the shares will not be voted.

**34. *Can the Plan be changed or discontinued?***

Disney reserves the right to suspend, modify or terminate the Plan at any time. All participants will receive notice of any such suspension, modification or termination. Upon termination of the Plan by Disney, whole shares held in a participant's account under the Plan will be converted to book-entry form in DRS and a cash payment will be made for any fractional share.

## **LIMITATION OF LIABILITY**

**IF YOU CHOOSE TO PARTICIPATE IN THE PLAN, YOU SHOULD RECOGNIZE THAT NEITHER DISNEY NOR THE ADMINISTRATOR CAN ASSURE YOU OF A PROFIT OR PROTECT YOU AGAINST A LOSS ON THE SHARES THAT YOU PURCHASE UNDER THE PLAN.**

Neither Disney nor the Administrator, in administering the Plan, will be liable for any act done in good faith or for any good faith omission to act, including without limitation any claim of liability arising out of failure to terminate a participant's account upon such participant's death, the price at which shares are purchased or sold for the participant's account, the times when purchases or sales are made or fluctuations in the market value of Disney common stock. This limitation of liability will not constitute a waiver by any participant of his or her rights under the federal securities laws.

Although the Plan provides for the reinvestment of dividends, the declaration and payment of dividends will continue to be determined by Disney's Board of Directors in its discretion, depending upon future earnings, the financial condition of Disney and other factors. The amount and timing of dividends may be changed, or the payment of dividends terminated, at any time without notice.

## **U.S. FEDERAL INCOME TAXATION**

The following is a discussion of the material U.S. federal income tax considerations to participants in the Plan. Subject to the limitations, qualifications and assumptions set forth in this discussion and the accuracy of statements, facts and information regarding the Plan on which counsel has relied, this discussion constitutes the opinion of Dewey Ballantine LLP as to the material U.S. federal income tax consequences of participation in the Plan insofar as the discussion sets forth statements of U.S. federal income tax law or legal conclusions with respect thereto. This discussion is based on current provisions of the

Internal Revenue Code of 1986, as amended (the Code), Treasury regulations promulgated thereunder, and administrative and judicial interpretations thereof, all as in effect on the date hereof and all of which are subject to change, possibly on a retroactive basis. This discussion does not address estate or gift tax consequences or tax consequences arising under any state, local or foreign law.

Cash dividends reinvested under the Plan will be taxable for U.S. Federal income tax purposes as having been received by a participant even though the participant has not actually received them in cash. Each participant will receive an annual statement from the Administrator indicating the amount of reinvested dividends reported to the U.S. Internal Revenue Service as dividend income.

A participant will not realize gain or loss for U.S. Federal income tax purposes upon a transfer of shares to the Plan or the withdrawal of whole shares from the Plan. Participants will, however, generally realize gain or loss upon the receipt of cash for fractional shares held in the Plan. Gain or loss will also be realized by the participant when whole shares are sold, either by the independent purchasing agent pursuant to the participant's request or by the participant after withdrawal from the Plan. The amount of gain or loss will be the difference between the amount that the participant receives for the shares or fraction of a share sold and the participant's tax basis for such shares or fraction of a share. In order to determine the tax basis for shares or any fraction of a share credited to a participant's account, each participant should retain all account statements.

Plan participants who are non-resident aliens or non-U.S. corporations, partnerships or other entities generally are subject to a withholding tax on dividends paid on shares held in the Plan. The Administrator is required to withhold from dividends paid the appropriate amount determined in accordance with Internal Revenue Service regulations. Where applicable, this withholding tax is determined by treaty between the United States and the country in which the

participant resides. In addition, dividends paid on shares in Plan accounts are subject to the backup withholding provisions of the Internal Revenue Code. Accordingly, the amount of any dividends, net of the applicable withholding tax, will be credited to participant Plan accounts for investment in additional shares of Disney common stock.

The foregoing discussion is not a comprehensive summary of all of the tax considerations that may be relevant to a participant in the Plan and does not constitute tax advice. In addition, the foregoing does not reflect every possible outcome that could result from participation in the Plan. Each participant is urged to consult his or her own tax advisor regarding the tax consequences applicable to his or her particular situation before participating in the Plan or disposing of shares purchased under the Plan.

#### **USE OF PROCEEDS**

Generally, share purchases will be made by the Plan's independent purchasing agent in the open market; however, Disney may at its option direct that shares for the Plan be purchased directly from Disney; *provided*, that Disney will not change the source of the shares for the Plan more than once in any three month period. Disney will receive proceeds from purchases of its common stock only to the extent that such purchases are made directly from Disney and not in the open market. We are unable to estimate the number of shares, if any, that will be purchased directly from Disney under the Plan or the amount of proceeds from any such purchases. If shares for the Plan are purchased from Disney, the net proceeds will be used by Disney for general corporate purposes.

#### **LEGAL MATTERS**

The legality of the common stock covered hereby has been passed upon for Disney by David K. Thompson, Esq., Senior Vice President Deputy General Counsel and Assistant Secretary of Disney. Mr. Thompson owns shares of Disney common stock, both directly and

as a participant in various stock and employee benefit plans, and he is eligible to participate in the Plan. In addition, Dewey Ballantine LLP, counsel to Disney, is rendering a tax opinion on the discussion in "U.S. Federal Income Taxation" in this prospectus.

#### **EXPERTS**

The financial statements and management's assessment of the effectiveness of internal control over financial reporting (which is included in management's report on internal control over financial reporting) incorporated in this Prospectus by reference to Disney's Annual Report on Form 10-K for the fiscal year ended September 30, 2006 have been so incorporated in reliance on the reports of PricewaterhouseCoopers LLP, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

#### **INDEMNIFICATION**

Disney's Restated Certificate of Incorporation and Amended and Restated Bylaws, as amended to date, provide that Disney shall indemnify to the full extent authorized or permitted by law (as now or hereafter in effect) any person made, or threatened to be made, a defendant or witness to any action, suit or proceeding (whether civil or criminal or otherwise) by reason of the fact that he, his testator or intestate, is or was a director or officer of Disney or by reason of the fact that such director or officer, at the request of Disney, is or was serving any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, in any capacity.

Under Section 145 of the Delaware General Corporation Law, a corporation may indemnify a director, officer, employee or agent of the corporation (or a person who is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise) against expenses (including attorneys' fees), judgments, fines and amounts paid

in settlement actually and reasonably incurred by the person if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. In the case of an action brought by or in the right of a corporation, the corporation may indemnify a director, officer, employee or agent of the corporation (or a person who is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise) against expenses (including attorneys' fees) actually and reasonably incurred by him if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation, except that no indemnification may be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the corporation unless and only to the extent a court finds that, in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses as the court shall deem proper.

Disney's Restated Certificate of Incorporation and Amended and Restated Bylaws further provide that (i) Disney may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of Disney or is serving at the request of Disney as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not Disney would have the power to indemnify him against such liability under the provisions of law, and (ii) Disney may create a trust fund, grant a security interest and/or use other means (including, without limitation, letters of credit, surety bonds and/or similar arrangements), as well as enter into contracts providing for indemnification to the full extent authorized or permitted by law and including as part thereof provisions with respect to any and all of the foregoing to ensure the payment of such amounts as may become necessary to effect indemnification as

provided therein, or elsewhere. Disney's Restated Certificate of Incorporation further provides that a director of Disney shall not be liable to Disney or its stockholders for monetary damages for breach of fiduciary duty as a director, except to the extent such exemption from liability or limitation thereof is not permitted under the Delaware General Corporation Law.

Disney maintains an officer's and director's liability insurance policy insuring its officers and directors against certain liabilities and expenses incurred by them in their capacities as such, and insuring Disney under certain circumstances, in the event that indemnification payments are made to such officers and directors.

Disney has also entered into indemnification agreements (the "Indemnification Agreements") with certain of its directors and officers (individually, the "Indemnitee"). The Indemnification Agreements, among other things, provide for indemnification of the Indemnitees to the fullest extent permitted by law against any and all expenses, judgments, fines, penalties and amounts paid in settlement of any claim. The Indemnification Agreements provide for the prompt advancement of all expenses to the Indemnitee and for reimbursement to Disney if it is found that such Indemnitee is not entitled to such indemnification under applicable law. The Indemnification Agreements also provide that after a Change in Control (as defined in the Indemnification Agreements) of Disney which is not approved by the Board of Directors of Disney, all determinations regarding a right to indemnity and the right to advancement of expenses shall be made by independent legal counsel selected by the Indemnitee and approved by the Board of Directors. In addition, in the event of a Potential Change In Control (as defined in the Indemnification Agreements), the Indemnitee may require Disney to establish a trust for his or her benefit and to fund such trust in amounts reasonably anticipated or proposed to be paid to satisfy Disney's indemnification obligations under the Indemnification Agreements.

The foregoing summaries are necessarily subject to the complete text of the statute, Disney's Restated Certificate of Incorporation and

Amended and Restated Bylaws, and the agreements referred to above and are qualified in their entirety by reference thereto.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers or persons controlling Disney pursuant to the foregoing provisions, Disney has been informed that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

**THIS PROSPECTUS SHOULD BE RETAINED BY  
PARTICIPANTS IN THE PLAN FOR FUTURE REFERENCE.**

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