

PRIMEDIA INC  
Form PRE 14C  
June 22, 2007

[QuickLinks](#) -- Click here to rapidly navigate through this document

**SCHEDULE 14C INFORMATION**

Information Statement Pursuant to Section 14(c) of  
the Securities Exchange Act of 1934 (Amendment No.       )

Check the appropriate box:

- Preliminary Information Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14c-5(d)(2))
- Definitive Information Statement

**PRIMEDIA INC.**

---

(Name of Registrant As Specified In Its Charter)

Payment of Filing Fee (Check the appropriate box):

- No fee required
- Fee computed on table below per Exchange Act Rules 14c-5(g) and 0-11

(1) Title of each class of securities to which transaction applies:

---

(2) Aggregate number of securities to which transaction applies:

---

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

---

(4) Proposed maximum aggregate value of transaction:  
\$1,177,900,000

---

(5) Total fee paid:  
\$36,162

---

- Fee paid previously with preliminary materials.
- Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

---

(2) Form, Schedule or Registration Statement No.:

---

(3) Filing Party:

---

(4) Date Filed:

---

---

**NOTICE OF ACTION TAKEN PURSUANT TO  
WRITTEN CONSENT OF STOCKHOLDERS**

**745 Fifth Avenue  
New York, New York 10151**

June [ ], 2007

Dear PRIMEDIA Inc. Stockholder:

This Notice and the accompanying Information Statement are being furnished to the stockholders of PRIMEDIA Inc., a Delaware corporation (the "Company"), in connection with the actions taken by the holders of at least a majority of the issued and outstanding voting securities of the Company, approving:

By written consent dated May 13, 2007, a Stock Purchase Agreement (the "Stock Purchase Agreement"), dated as of May 13, 2007, by and among the Company, Consumer Source Inc., a Delaware corporation and wholly-owned subsidiary of the Company ("Seller"), and Source Interlink Companies, Inc., a Delaware corporation ("Purchaser"), and the transactions contemplated thereby; and

By written consent dated June 21, 2007 an amendment to the Certificate of Incorporation of the Company (the "Amendment") to effect a reverse stock split whereby each outstanding six shares of common stock of the Company would be combined into and become one share of common stock (the "Reverse Stock Split").

Pursuant to the Stock Purchase Agreement, Purchaser has agreed to purchase, and Seller has agreed to sell, 100% of the issued and outstanding shares of capital stock of PRIMEDIA Enthusiast Media Inc., a Delaware corporation, for \$1,177,900,000 in cash, subject to certain post-closing adjustments described in the accompanying Information Statement (the "Sale"). The Stock Purchase Agreement is included as Annex A to the accompanying Information Statement. This Sale may constitute a sale of substantially all of the Company's assets within the meaning of the Delaware General Corporation Law (the "DGCL"), and thus, we have obtained the approval of the holders of a majority of the issued and outstanding voting securities of the Company. The Company's Board of Directors approved the Stock Purchase Agreement and the transactions contemplated thereby on May 13, 2007.

The form of Certificate of Amendment to the Certificate of Incorporation of the Company (the "Certificate of Amendment") setting forth the Amendment is included as Annex E to the accompanying Information Statement. The Company's Board of Directors approved the Amendment on June 21, 2007. The Reverse Stock Split will become effective upon filing of the Certificate of Amendment with the Secretary of State of the State of Delaware. The Amendment may be abandoned by the Board of Directors of the Company in its discretion at any time prior to effectiveness of the Amendment, and prior to or following the consummation of the Sale, without any further action of the stockholders of the Company.

**WE ARE NOT ASKING YOU FOR A PROXY AND YOU ARE REQUESTED NOT TO SEND US A PROXY. NO MEETING OF STOCKHOLDERS WILL BE HELD TO CONSIDER THE STOCK PURCHASE AGREEMENT OR THE TRANSACTIONS CONTEMPLATED THEREBY, THE AMENDMENT OR THE REVERSE STOCK SPLIT.**

Your vote or consent is not requested or required to approve these matters. The accompanying Information Statement is provided solely for your information pursuant to the applicable rules under the Securities Exchange Act of 1934, as amended. The accompanying Information Statement also serves as the notice required by Section 228 of the DGCL of the taking of a corporate action without a

---

## Edgar Filing: PRIMEDIA INC - Form PRE 14C

meeting by less than unanimous written consent of the Company's stockholders. Under Section 228 of the DGCL, action by stockholders may be taken without a meeting, without prior notice, by written consent of the holders of outstanding capital stock having not less than the minimum number of votes that would be necessary to authorize the action at a meeting at which all shares entitled to vote thereon were present and voted. On that basis, certain stockholders affiliated with Kohlberg Kravis Roberts & Co. which hold a majority of the outstanding shares of capital stock entitled to vote approved (i) the Stock Purchase Agreement on May 13, 2007 and (ii) the Amendment on June 21, 2007.

The Information Statement contains a description of the Stock Purchase Agreement and the transactions contemplated thereby, the Amendment and the effects thereof, and certain information regarding the Company. We encourage you to carefully read the Information Statement in its entirety. You may also obtain information about us from publicly available documents we file with the Securities and Exchange Commission. Under certain rules of the Securities and Exchange Commission, the sale of PRIMEDIA Enthusiast Media Inc. may not be completed until at least 20 calendar days after the mailing of this Information Statement have elapsed. This Information Statement is dated June [ ], 2007, and is first being mailed or otherwise distributed on or about June [ ], 2007 to stockholders of record on May 13, 2007, the record date for those entitled to notice of the sale of PRIMEDIA Enthusiast Media Inc. and stockholders of record on June 21, 2007, the record date for those entitled to notice of the Amendment.

We believe the sale of PRIMEDIA Enthusiast Media Inc. provides substantial value to the Company's stockholders, and following the closing of the sale, the Company will be able to focus completely on our Consumer Guides business. We look forward to your continued support as a stockholder in PRIMEDIA Inc., and we remain committed to working on your behalf to build long-term stockholder value.

By order of the Board of Directors,

Dean B. Nelson  
Chairman, Chief Executive Officer and President

---

## TABLE OF CONTENTS

	<b>Page</b>
SUMMARY TERM SHEET	1
THE PARTIES TO THE SALE	8
THE SALE	9
Structure of the Sale	9
Background of the Sale	9
Reasons for the Sale	14
Approval of the Sale	15
Opinion of Goldman Sachs	16
Additional Financial Advisor	18
Consideration; Intended Use of Proceeds	19
Plans Following the Sale	19
Financing	20
Accounting Treatment	21
Certain United States Federal Income Tax Considerations	21
Regulatory Approvals	22
Absence of Dissenters' Rights	22
Interests of Certain Persons in Matters to be Acted Upon	23
THE STOCK PURCHASE AGREEMENT	24
Purchase Price	24
Representations and Warranties	25
Covenants	27
Conditions to Closing; Closing Date	29
Survival and Indemnification	29
Tax Matters	31
Termination	31
Expenses and Transfer Taxes	31
ANCILLARY AGREEMENTS	32
AMENDMENT TO EFFECT A REVERSE STOCK SPLIT	33
The Amendment	33
Purpose of the Reverse Stock Split	33
Potential Risks of the Reverse Stock Split	33
Principal Effects of the Reverse Stock Split	33
Stock Certificates	37
Approval of the Amendments	38
CERTAIN PRO FORMA FINANCIAL INFORMATION	39
SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT	49
MULTIPLE SHAREHOLDERS SHARING ONE ADDRESS	52
WHERE YOU CAN FIND ADDITIONAL INFORMATION	53
PEM COMBINED FINANCIAL STATEMENTS	F-1
ANNEX A	Stock Purchase Agreement, dated as of May 13, 2007, among PRIMEDIA Inc., Consumer Source Inc. and Source Interlink Companies, Inc.
ANNEX B	Equity Commitment Letter, dated as of May 13, 2007, from The Yucaipa Companies, LLC
ANNEX C	Lock-up Agreement, dated as of May 13, 2007, between AEC Associates, LLC and Source Interlink Companies, Inc., Consumer Source Inc. and PRIMEDIA Inc.
ANNEX D	Opinion of Goldman, Sachs & Co.
ANNEX E	Form of Certificate of Amendment to Certificate of Incorporation of PRIMEDIA Inc.

**SUMMARY TERM SHEET**

The following summary highlights selected information from this Information Statement relating to the sale of PRIMEDIA Enthusiast Media Inc. Reference is made to, and this summary is qualified in its entirety by, the more detailed information contained elsewhere in this Information Statement, the annexes attached hereto and the documents referred to or incorporated by reference herein. Each item in this summary includes a page reference directing you to a more complete description of that item. We encourage you to read this Information Statement and the annexes attached hereto in their entirety. **WE ARE NOT ASKING YOU FOR A PROXY AND YOU ARE REQUESTED NOT TO SEND US A PROXY.**

**The Parties to the Sale (Page 8)**

PRIMEDIA Inc.  
745 Fifth Avenue  
New York, NY 10151  
(212) 745-0100

PRIMEDIA Inc. (the "Company" or "PRIMEDIA"), a Delaware corporation, is a targeted media company in the United States. Its properties comprise over 100 brands that connect buyers and sellers through print publications, Internet, events, merchandise and video programs in two principal operating segments: (i) Enthusiast Media, which encompasses PRIMEDIA's consumer magazines, Internet sites, events, licensing and merchandising and video, and (ii) Consumer Guides, which publishes and distributes free print guides across the United States and operates classified Internet websites. Our common stock, par value \$0.01 per share, is listed on the New York Stock Exchange. References in this Information Statement to "we," "us" or "our" refer to PRIMEDIA, unless the context otherwise requires.

Consumer Source Inc.  
745 Fifth Avenue  
New York, NY 10151  
(212) 745-0100

Consumer Source Inc. ("Seller"), a Delaware corporation, is a wholly-owned subsidiary of PRIMEDIA. Seller owns 100% of the issued and outstanding capital stock of PRIMEDIA Enthusiast Media Inc. ("PEM"), a Delaware corporation that is engaged in PRIMEDIA's Enthusiast Media business through its direct and indirect subsidiaries. In addition, Seller owns, directly or indirectly, the subsidiaries of PRIMEDIA that conduct PRIMEDIA's Consumer Guides business.

Source Interlink Companies, Inc.  
27500 Riverview Center Blvd., Suite 400  
Bonita Springs, FL 34134  
(239) 949-4450

Source Interlink Companies, Inc. ("Purchaser" or "Source Interlink"), a Delaware corporation, is a marketing, merchandising and fulfillment company of entertainment products, including magazines, DVDs, music CDs, books and related items serving approximately 110,000 retail store locations throughout North America. Purchaser's common stock, par value \$0.01 per share, is listed on The Nasdaq National Market.

**Sale of PRIMEDIA Enthusiast Media Inc. (Page 9)**

On May 13, 2007, the Company entered into a stock purchase agreement (the "Stock Purchase Agreement") with Purchaser pursuant to which Purchaser will acquire PEM for \$1,177,900,000 in cash at closing, subject to certain post-closing adjustments (the "Sale"). In addition, Purchaser will assume the obligation to make certain earn-out payments relating to PEM's Automotive.com division. The Sale is subject to customary closing conditions and is expected to close in the third quarter of 2007. The Sale may constitute the sale of substantially all of the Company's assets.

**Reasons for the Sale (Page 14)**

Our Board of Directors continuously consulted with our management team and advisors in considering the Stock Purchase Agreement and the proposed Sale. For the factors considered by our Board of Directors in reaching its decision to approve the Stock Purchase Agreement and the proposed Sale, see "Reasons for the Sale".

**Approval of the Sale (Page 15)**

Our Board of Directors, after careful consideration, unanimously approved the Stock Purchase Agreement and the Sale, determined that the Sale was in the best interests of the Company and its stockholders and recommended that our stockholders vote to approve the Stock Purchase Agreement and the Sale. Section 271 of the Delaware General Corporation Law ("DGCL") allows us to sell all or substantially all of our assets by obtaining the approval of the holders of a majority of the shares of outstanding stock entitled to vote. Certain stockholders affiliated with Kohlberg Kravis Roberts & Co. ("KKR") which hold over 60% of our outstanding shares of voting stock executed a written consent in lieu of a stockholders meeting approving the Stock Purchase Agreement and the transactions contemplated thereby. No further action of our stockholders is required to approve the Sale.

**Opinion of Goldman Sachs (Page 16)**

Goldman, Sachs & Co. ("Goldman Sachs") delivered its opinion to PRIMEDIA's Board of Directors that, as of May 13, 2007 and based upon and subject to the factors and assumptions set forth therein, the \$1,177,900,000 in cash to be received by Seller for all of the outstanding shares of PEM common stock pursuant to the Stock Purchase Agreement was fair from a financial point of view to PRIMEDIA.

The full text of the written opinion of Goldman Sachs, dated May 13, 2007, which sets forth assumptions made, procedures followed, matters considered and limitations on the review undertaken in connection with the opinion, is attached as Annex D hereto. Goldman Sachs provided its opinion solely for the information and assistance of PRIMEDIA's Board of Directors in connection with its consideration of the transaction. Pursuant to an engagement letter between PRIMEDIA and Goldman Sachs, PRIMEDIA has agreed to pay Goldman Sachs a transaction fee of \$8,947,500, all of which is payable upon consummation of the transaction.

**Additional Financial Advisor (Page 18)**

The Board of Directors of PRIMEDIA also engaged Lehman Brothers Inc. ("Lehman Brothers") to provide financial advisory services to the Board of Directors of PRIMEDIA in connection with the contemplated transaction. Pursuant to an engagement letter between PRIMEDIA and Lehman Brothers, PRIMEDIA has agreed to pay Lehman Brothers a transaction fee of \$8,947,500, all of which is payable upon consummation of the transaction.

**Consideration; Intended Use of Proceeds; Plans Following the Sale (Page 19)**

Pursuant to the terms of the Stock Purchase Agreement, Purchaser will acquire from Seller 100% of the shares of common stock, par value \$0.01 per share, of PEM for \$1,177,900,000 in cash at closing, subject to certain post-closing adjustments. As a result of the Sale, the Company expects to have approximately \$1,150,000,000 in net proceeds after payment of fees and expenses and before the payment of any cash taxes in connection with the gain. As of the date of this Information Statement, the Company intends to use such proceeds to reduce the Company's indebtedness by paying down funds outstanding under the Company's credit facility, tendering for (or redeeming) each of the Company's Senior Floating Rate Notes due 2010 and 8<sup>7</sup>/<sub>8</sub>% Senior Notes due 2011 and tendering for the 8% Senior Notes due 2013. Following the Sale, we will continue to operate as a public company, and intend that our common stock will continue to be traded on the New York Stock Exchange. In addition, before or after the closing of the Sale, the Company may amend its Certificate of Incorporation to effect a Reverse Stock Split, which is more fully described in "Amendment to Effect a Reverse Stock Split."

**Financing (Page 20)**

Purchaser has obtained a commitment letter from Citigroup Global Markets Inc. and JPMorgan Chase Bank, N.A. for (i) senior secured credit facilities in an aggregate principal amount of \$1.18 billion, out of which \$880 million consists of a senior term loan and \$300 million consists of a revolving credit facility and (ii) up to \$465 million in a senior subordinated credit facility (bridge financing) or the issuance of senior subordinated notes in a public offering. Purchaser intends to fund 100% of the purchase price with its proposed debt financing. At closing, Purchaser is obligated to draw on its committed bridge financing, subject to the satisfaction or waiver of the closing conditions. The closing of the Sale is not conditioned on receipt of the proceeds of the debt financing by Purchaser. Pursuant to the Stock Purchase Agreement, we are obligated to cooperate with Purchaser in its efforts to obtain financing for the Sale, including by providing certain financial statements of PEM.

**Certain United States Federal Income Tax Consequences (Page 21)**

We anticipate recognizing a gain for United States federal income tax purposes on the Sale. Although we anticipate using a substantial portion of our prior and any current year net operating losses to offset the recognized gain, we may pay some amount of alternative minimum tax on the gain due to net operating loss limitations. The Sale may also produce tax liability in certain states that cannot be offset by net operating loss carryforwards. The Sale will not produce any separate and independent federal income tax consequences to our stockholders.

**Regulatory Approvals (Page 22)**

The Hart-Scott-Rodino Antitrust Improvement Act of 1976, as amended ("Hart-Scott-Rodino Act") provides that transactions such as the Sale may not be completed until certain information and documents have been submitted to the Federal Trade Commission and the Antitrust Division of the U.S. Department of Justice and certain waiting period requirements have been observed. On May 24, 2007, the Company and Purchaser, respectively, each filed a Notification and Report Form with the Antitrust Division and the Federal Trade Commission and requested early termination of the waiting period. The waiting period initiated by these filings is scheduled to expire on June 25, 2007.

**Absence of Dissenters' Rights (Page 22)**

No dissenters' or appraisal rights are available to the Company's stockholders under the DGCL or our certificate of incorporation or bylaws in connection with the Stock Purchase Agreement or the transactions contemplated thereby.



**Interests of Certain Persons in Matters to be Acted Upon (Page 23)**

In connection with the proposed Sale, the Compensation Committee of the Board of Directors of the Company, the Nominating and Corporate Governance Committee of the Board of Directors and the Board of Directors of the Company, have approved special sale and retention bonuses to be paid by the Company to certain of the Company's officers and employees, including our Chairman of the Board of Directors, President and Chief Executive Officer.

**Conditions to Closing (Page 29)**

Before we can complete the Sale, a number of customary conditions must be satisfied, including:

the accuracy of Seller's representations and warranties (disregarding materiality qualifications), except to the extent that failure of such representations and warranties to be true and correct, in the aggregate, would not have a material adverse effect (some representations and warranties are required to be true and correct without regard to material adverse effect);

the accuracy of Purchaser's representations and warranties (disregarding materiality qualifications), except to the extent that all failures of such representations and warranties to be true and correct, in the aggregate, would not reasonably be expected to prevent or materially delay the ability of Purchaser to consummate the transactions contemplated by the Stock Purchase Agreement or any ancillary agreements to the Stock Purchase Agreement to which it is a party;

compliance by Seller and Purchaser in all material respects with their respective covenants, obligations and undertakings included in the Stock Purchase Agreement;

expiration of the waiting period under the Hart-Scott-Rodino Act, without any action taken to prevent consummation of the Sale;

no judgment, order or decree enjoining consummation of the Sale; and

delivery by Purchaser to Seller of an independent opinion supporting the conclusion that immediately following the closing, after giving effect to all of the transactions contemplated by the Stock Purchase Agreement and payment of all related fees and expenses, Purchaser and its subsidiaries (including PEM) will not (i) be insolvent, (ii) have unreasonably small capital for the operation of the businesses in which they are engaged or proposed to be engaged and (iii) have incurred debts, and are not expected to incur debts, including contingent and other liabilities, beyond their ability to pay them as they become due.

**Indemnification (Page 29)**

The Company and Seller, on the one hand, and Purchaser, on the other, have agreed to indemnify the other for certain losses incurred in connection with a breach by the indemnifying party of its representations, warranties or covenants under the Stock Purchase Agreement and certain other matters, including taxes. These obligations are subject to certain limitations.

**Termination (Page 31)**

The Stock Purchase Agreement may be terminated at any time prior to the closing date:

by mutual written agreement;

by either party by written notice if the closing date shall not have occurred on or before the date that is 120 days following the date of the Stock Purchase Agreement (provided that if the closing has not occurred by such date solely as a result of the failure of PRIMEDIA to deliver



Edgar Filing: PRIMEDIA INC - Form PRE 14C

to Purchaser certain required financial information, Purchaser may unilaterally extend the termination date by up to 30 days);

by Purchaser if the conditions to Purchaser's obligations to close have become incapable of fulfillment and have not been waived by Purchaser (provided Purchaser is not in material breach of the Stock Purchase Agreement); or

by Seller if the conditions to Seller's obligation to close have become incapable of fulfillment and have not been waived by Seller (provided Seller is not in material breach of the Stock Purchase Agreement).

**CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING INFORMATION**

This Information Statement, and the documents to which we refer you in this Information Statement, contain statements, including in this document under the captions "Summary Term Sheet," "The Sale," and "Amendment to Effect a Reverse Stock Split" that are, or may be considered to be, forward-looking statements. All statements that are not historical facts, including statements about our beliefs or expectations, are forward-looking statements. You can identify these forward-looking statements by the use of forward-looking words such as "outlook," "believes," "expects," "potential," "continues," "may," "should," "seeks," "approximately," "predicts," "intends," "plans," "estimates," "anticipates," "foresees" or the negative version of those words or other comparable words and phrases. Any forward-looking statements contained in this Information Statement are based upon our historical performance and on current plans, estimates and expectations. We may make additional written or oral forward-looking statements from time to time in filings with the SEC or otherwise. Forward-looking statements speak only as of the date the statement is made. Forward-looking statements involve risks and uncertainties, and the inclusion of this forward-looking information should not be regarded as a representation by us or any other person that the future plans, estimates or expectations contemplated by us will be achieved.

We believe that the factors that could cause our actual results to differ materially include but are not limited to the factors we describe in this Information Statement, including under "The Sale." The following list represents some, but not necessarily all, of the factors that could cause actual results to differ from historical results or those anticipated or predicted by these forward-looking statements:

the occurrence of any event, change or other circumstance that could give rise to the termination of the Stock Purchase Agreement;

the failure of the Sale to close for any reason;

the amount of the costs, fees, expenses and charges related to the Sale;

diversion of management time on Sale-related issues;

the reactions of the Company's customers to the Sale;

our ability to obtain favorable terms for the Company's indebtedness following the closing of the Sale;

our revenues and operating costs may be different than expected following the Sale;

our ability to use available net operating losses, if any;

general economic, political, social or other events that may impact the Company or the industry in which the Company operates;

volatility in the equity market;

competition in our industry;

difficulty in implementing our business strategy;

our ability to respond to changing consumer preferences;

Edgar Filing: PRIMEDIA INC - Form PRE 14C

our ability to maintain and expand our Internet operations; and

our ability to attract and retain qualified personnel.

These factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included in this Information Statement. Many other important factors cannot be predicted or quantified and are outside of our control. If one or more of these or other risks or uncertainties materialize, or if our underlying assumptions prove to be incorrect, actual

results may vary materially from what we projected. Consequently, actual events and results may vary significantly from those included in or contemplated or implied by our forward-looking statements. The forward-looking statements included in this Information Statement are made only as of the date of this Information Statement, and we undertake no obligation to publicly update or review any forward-looking statement made by us or on our behalf, whether as a result of new information, future developments, subsequent events or circumstances or otherwise. All subsequent written and oral forward-looking statements attributable to us or persons acting for or on our behalf are expressly qualified in their entirety by this section.

**THE PARTIES TO THE SALE**

**PRIMEDIA Inc.**

PRIMEDIA is a Delaware corporation with its principal executive offices at 745 Fifth Avenue, New York, NY 10151. The Company's telephone number is (212) 745-0100. PRIMEDIA is a targeted media company in the United States. Its properties comprise over 100 brands that connect buyers and sellers through print publications, Internet, events, merchandise and video programs in two principal operating segments: Enthusiast Media and Consumer Guides.

PRIMEDIA's Enthusiast Media business encompasses PRIMEDIA's consumer magazines, Internet sites, events, licensing and merchandising and video, with more than 70 magazines, 90 websites, over 65 events, two television programs, 400 branded products, and such well-known brands as *Motor Trend* magazine, *Automobile* magazine, *Automotive.com*, *Equine.com*, *Power & Motoryacht* magazine, *Hot Rod* magazine, *Snowboarder* magazine, *Surfer* magazine, and *Wavewatch.com*. PRIMEDIA's Consumer Guides business publishes and distributes free print guides across the United States with Apartment Guide, Auto Guide and New Home Guide, distributing free consumer publications through its proprietary distribution network, Distributech, in more than 60,000 locations. PRIMEDIA's Consumer Guides Business owns and operates leading websites, including *ApartmentGuide.com*, *AutoGuide.com*, *NewHomeGuide.com*, and the largest online single unit rental property business, comprised of *RentClicks.com*, *RentalHouses.com*, *HomeRentalAds.com* and *Rentals.com*.

Our common stock, par value \$0.01 per share, is listed on the New York Stock Exchange. Certain stockholders affiliated with KKR hold over 60% of our outstanding common stock.

**Consumer Source Inc.**

Seller is a Delaware corporation with its principal executive offices at 745 Fifth Avenue, New York, NY 10151. Seller's telephone number is (212) 745-0100. Seller is a wholly-owned subsidiary of the Company and owns 100% of the issued and outstanding capital stock of PEM, a Delaware corporation that is engaged in the Enthusiast Media business through its direct and indirect subsidiaries. In addition, Seller owns, directly or indirectly, the subsidiaries of PRIMEDIA that conduct PRIMEDIA's Consumer Guides business.

**Source Interlink Companies, Inc.**

Purchaser is a Delaware corporation with its principal executive offices at 27500 Riverview Center Blvd., Suite 400, Bonita Springs, FL 34134. Purchaser's telephone number is (239) 949-4450. Purchaser is a marketing, merchandising and fulfillment company of entertainment products, including magazines, DVDs, music CDs, books and related items.

Purchaser's fully integrated businesses include: distribution and fulfillment of entertainment products to major retail chains throughout North America and directly to consumers of entertainment products ordered through the Internet; import and export of periodicals sold in more than 100 markets worldwide; coordination of product selection and placement of impulse items sold at checkout counters; processing and collection of rebate claims as well as management of sales data obtained at the point-of-purchase; design, manufacture and installation of wire fixtures and displays in major retail chains; and licensing of children's and family-friendly home entertainment products. Purchaser serves approximately 110,000 retail store locations throughout North America. Supply chain relationships include movie studios, record labels, magazine and newspaper publishers, confectionary companies and manufacturers of general merchandise.

Purchaser's common stock, par value \$0.01 per share, is listed on the Nasdaq National Market. AEC Associates, LLC an affiliate of The Yucaipa Companies, LLC a Los Angeles-based private investment firm ("Yucaipa"), owns approximately 34% of the outstanding common stock of Purchaser.

## THE SALE

### Structure of the Sale

Pursuant to the Stock Purchase Agreement, Seller will sell, and Purchaser will acquire, 100% of the issued and outstanding shares of capital stock of PEM for \$1,177,900,000 in cash, subject to certain post-closing adjustments. In addition, Purchaser will assume the obligation to make certain earn-out payments relating to PEM's Automotive.com division. The Sale may constitute the sale of substantially all of the Company's assets.

### Background of the Sale

As part of its ongoing evaluation of its business, the Company's Board of Directors and senior management regularly evaluate the Company's long-term strategic alternatives and prospects. In October 2005, the Company contacted Goldman Sachs and Lehman Brothers to assist it in evaluating its strategic alternatives, including a possible separation of its Consumer Guides and Enthusiast Media businesses.

During October 2005, the Board of Directors met and discussed, among other matters, the Company's growth prospects, the opportunities and the challenges facing the Company, the potential risks and benefits of the Company's various strategic alternatives, the issues presented by the continued operation of the Company's distinct businesses, the limited strategic connection between the Company's Consumer Guides and Enthusiast Media businesses and the Company's diverse investor base. The Board of Directors discussed with senior management of the Company, together with representatives of Goldman Sachs, Lehman Brothers and Simpson Thacher & Bartlett LLP, a possible spin-off of the Consumer Guides business, and after reviewing various considerations and issues, decided to pursue the proposed spin-off transaction. On October 24, 2005, the Company issued a press release announcing that the Board of Directors had authorized management to explore a possible spin-off of the Company's Consumer Guides business.

During the next several months, the Company's senior management, with the assistance of Goldman Sachs, Lehman Brothers and Simpson Thacher & Bartlett, proceeded to take steps to pursue a possible spin-off of the Company's Consumer Guides business. In late 2005 and throughout 2006, the Board of Directors met several times to receive updates on the spin-off process and continue its evaluation of the Company's strategic alternatives. On November 6, 2006, the Company filed a registration statement on Form 10 relating to the proposed spin-off of the Company's Consumer Guides business.

On December 12, 2006, the Board of Directors met to discuss, among other matters, the status of the Company's exploration of its various strategic alternatives, including the pending spin-off of the Consumer Guides business. Representatives of Goldman Sachs and Lehman Brothers reviewed with the Board of Directors, among other matters, the status of the Consumer Guides spin-off and the possibility of exploring a possible sale of the Enthusiast Media business. Representatives of Simpson Thacher & Bartlett discussed with the Board of Directors, among other matters, the directors' fiduciary duties in connection with an extraordinary transaction such as a possible sale of PEM and the legal implications of a sale of PEM which may constitute a sale of substantially all of the Company's assets.

The Board of Directors discussed these matters, the rationale for potentially discontinuing its pursuit of a spin-off of the Consumer Guides business and beginning the exploration of a possible sale of the Enthusiast Media business, the potential value to the Company's stockholders to be obtained by a sale of the Enthusiast Media business and the risks of a potential sale process. The Board of Directors did not make any determination regarding a possible sale of the Enthusiast Media business at this time and, instead, reserved the ability to proceed with, among other alternatives, a spin-off of the Consumer Guides business or a sale of the Enthusiast Media business. The Board of Directors



requested that senior management of the Company, Goldman Sachs, Lehman Brothers and Simpson Thacher & Bartlett continue steps to launch the spin-off of the Company's Consumer Guides business. On January 11, 2007, the Company filed an amendment to its registration statement on Form 10 relating to the proposed spin-off of the Company's Consumer Guides business.

On January 26, 2007, the Board of Directors met to discuss, among other matters, the possibility of initiating a process for the proposed sale of the Company's Enthusiast Media business. Representatives of Goldman Sachs and Lehman Brothers discussed with the Board of Directors the steps necessary to prepare for a sale of the Enthusiast Media business, certain benefits and risks of initiating a sale of the Enthusiast Media business at this time and other possible acquisition and disposition initiatives being considered by the Company. After discussion, the Board of Directors authorized senior management of the Company, Goldman Sachs, Lehman Brothers and Simpson Thacher & Bartlett to begin preparations for initiating a process to sell the Company's Enthusiast Media business. The Board of Directors did not make any determination at this time to proceed with a possible sale of the Enthusiast Media business at this time or to discontinue the process to spin off the Company's Consumer Guides business.

On February 8, 2007, the Board of Directors met to receive an update on the preparations for the proposed sale of the Company's Enthusiast Media business as well as the proposed spin-off of the Company's Consumer Guides business. Representatives of Goldman Sachs and Lehman Brothers reviewed with the Board of Directors, among other matters, an update on the steps taken to prepare for a sale of the Enthusiast Media business and certain benefits and risks of initiating a sale of the Enthusiast Media business at this time. Representatives of Simpson Thacher & Bartlett discussed with the Board of Directors, among other matters, their fiduciary duties in connection with a possible sale of the Enthusiast Media business and the proposed structure of the Enthusiast Media sale as a sale of the stock of PEM. The Board of Directors discussed the Company's various strategic alternatives, the benefits and risks of initiating a sale of the Enthusiast Media business and the rationale for discontinuing the process to spin off the Company's Consumer Guides business. After further discussion, the Board of Directors authorized Goldman Sachs and Lehman Brothers to initiate contact with potential purchasers to seek preliminary indications of interest regarding an acquisition of PEM.

On February 9, 2007, the Company issued a press release announcing that it was exploring the sale of its Enthusiast Media business and had engaged Goldman Sachs and Lehman Brothers as its financial advisors to assist in the sale process.

During February 2007, as directed by the Board of Directors, Goldman Sachs and Lehman Brothers engaged in discussions with more than 100 potential buyers regarding the proposed sale of PEM, and the Company entered into confidentiality agreements with more than 50 potential buyers. The prospective purchasers contacted included various private equity firms and strategic buyers. The Company made available due diligence materials to each of the potential purchasers who had previously entered into confidentiality agreements with the Company.

On March 16, 2007, the Company received preliminary indications of interest from 14 potential purchasers, which in each case provided for an all-cash purchase of all of the outstanding capital stock of PEM. Following the receipt of these preliminary indications of interest, in-depth management presentations were made during the course of March and April 2007 by senior members of the Company's management, with the assistance of Goldman Sachs and Lehman Brothers, to the 10 parties who were identified as the candidates most likely to submit final bid proposals.

On April 10, 2007, at the direction of the Company, Goldman Sachs and Lehman Brothers circulated to these 10 potential purchasers instructions for submitting a final bid proposal as well as a draft stock purchase agreement prepared by Simpson Thacher & Bartlett. The bid instructions provided that final bid proposals were to be sent to Goldman Sachs and Lehman Brothers. However, the Company decided that Goldman Sachs would be responsible for assisting the Company in coordinating

the sale process going forward in order to utilize a single communication channel for interacting with potential purchasers and in light of the fact that Lehman Brothers would be offering to potential purchasers stapled financing to fund the acquisition of PEM.

On May 4, 2007, Goldman Sachs and Lehman Brothers received written bid proposals from two potential purchasers, referred to as Bidder X and Bidder Y. On May 5, 2007, Goldman Sachs and Lehman Brothers received a written bid proposal from Source Interlink. Each of the bid proposals received included debt financing commitments and mark-ups of the draft stock purchase agreement. The purchase price of \$1,177,900,000 proposed by Source Interlink represented the highest purchase price proposed by any of the three potential purchasers.

On May 5, 2007, representatives of Goldman Sachs and Simpson Thacher & Bartlett updated senior management of the Company and certain of the Company's directors regarding the terms of the bid proposals and stock purchase agreement mark-ups received from Source Interlink, Bidder X and Bidder Y. Following this discussion, in accordance with the instructions outlined by representatives of the Company, Goldman Sachs contacted each of the three bidders to schedule calls to discuss the mark-ups of the draft stock purchase agreement.

On May 6, 2007, representatives of Simpson Thacher & Bartlett, together with representatives of Goldman Sachs, discussed with the respective legal counsel to each of the three potential purchasers the issues raised by the mark-ups of the draft stock purchase agreements submitted by each of the three potential purchasers.

On May 7, 2007, Goldman Sachs received a written bid proposal from another potential purchaser, referred to as Bidder Z. The bid proposal from Bidder Z included debt financing commitments and a mark-up of the draft stock purchase agreement. The purchase price proposed in bid proposal from Bidder Z was less than the purchase price of \$1,177,900,000 proposed by Source Interlink.

On May 7, 2007, Bidder X withdrew its bid proposal and Bidder Y increased the proposed purchase price to an amount that was less than the purchase price proposed by Source Interlink. On May 8, 2007, Bidder Y withdrew its bid proposal.

On May 8, 2007, the Board of Directors convened a meeting to review the four bid proposals submitted to Goldman Sachs. Representatives of Goldman Sachs reviewed with the Board of Directors their presentation which, among other matters, summarized the sale process, the terms of each of the four written bid proposals received, the debt financing commitments submitted by each of the four potential purchasers, Goldman Sachs' financial analyses with respect to the proposed PEM sale and certain financial and operating information regarding Source Interlink. Representatives of Goldman Sachs also discussed the due diligence process previously conducted by each of the four potential purchasers and the pro forma leverage levels implied by the bid proposals. Representatives of Simpson Thacher & Bartlett reviewed a summary of certain material terms of the mark-ups of the draft stock purchase agreement submitted by each of the four bidders.

The Board of Directors discussed, among other matters, the terms of each of the bid proposals and mark-ups of the stock purchase agreement, the extent of due diligence performed by each of the bidders, the fact that the purchase price proposed in the bid proposals submitted by each of Source Interlink and Bidder Z would be provided by 100% debt financing, the high pro forma leverage level implied by the bid proposal submitted by Bidder Z and the withdrawal of the bid proposals previously submitted by each of Bidder X and Bidder Y. The Board of Directors further discussed financial and operating information regarding Source Interlink and the size of the transaction in comparison to the market capitalization of Source Interlink. After further discussion regarding the issues presented by each of the bid proposals, the Board of Directors directed Goldman Sachs and Simpson Thacher & Bartlett to continue their attempts to negotiate with Source Interlink and Bidder Z. In addition, the Board of Directors authorized the Executive Committee of the Board of Directors, which is comprised

of Messrs. Bell, Golkin, Nelson and Uger, to engage in discussions with senior management of the Company, representatives of Goldman Sachs and representatives of Simpson Thacher & Bartlett in connection with the sale process.

Following the Board meeting, on May 8, 2007, representatives of Simpson Thacher & Bartlett, together with representatives of Goldman Sachs, discussed with legal counsel to Bidder Z the issues raised by the mark-up of the draft stock purchase agreements submitted by Bidder Z, including the level of conditionality to the purchaser's obligation to close the transaction. On May 9, 2007, legal counsel to Bidder Z responded to an inquiry by representatives of Simpson Thacher & Bartlett, and thereafter, Bidder Z and its representatives did not initiate contact with the representatives of the Company, Goldman Sachs or Simpson Thacher & Bartlett.

On the morning of May 9, 2007, representatives of Simpson Thacher & Bartlett distributed a revised draft of the stock purchase agreement to legal counsel to Source Interlink. Later in the day on May 9, 2007, the Executive Committee of the Board of Directors convened a meeting and received an update regarding the sale process and discussions with Source Interlink and Bidder Z from Goldman Sachs and Simpson Thacher & Bartlett. The Executive Committee discussed, among matters, the status of discussions with Source Interlink, the risks surrounding the bid proposal by Bidder Z and the risks of disrupting the advanced discussions with Source Interlink.

Representatives of Goldman Sachs and Simpson Thacher & Bartlett engaged in discussions with representatives of Source Interlink, its legal counsel and Yucaipa during the course of May 9, 2007 and May 10, 2007.

On May 10, 2007, the Board of Directors met to discuss the sale process. Representatives of Goldman Sachs reviewed with the Board of Directors, among other matters, PRIMEDIA's pursuit of various strategic alternatives over the prior 24 months, the sale process, certain financial and operating information regarding PRIMEDIA and PEM, the terms of each of the four written bid proposals received, Goldman Sachs' financial analyses with respect to the proposed PEM sale, certain financial and operating information regarding Source Interlink, certain background information regarding Yucaipa, certain financial and operating information regarding Bidder Z, and summaries of the pro forma financial impact of the PEM sale on PRIMEDIA, Source Interlink and Bidder Z. Mr. Nelson and representatives of Goldman Sachs updated the Board of Directors regarding, among other matters, the due diligence conducted by the Company with respect to Source Interlink, certain timing and process issues with respect to the discussions with Source Interlink and the absence of contacts from representatives of Bidder Z. Messrs. Nelson, Bell and Uger updated the Board of Directors on the prior discussions of the Executive Committee of the Board. Representatives of Simpson Thacher & Bartlett then reviewed with the Board of Directors, among other matters, a summary of certain issues relating to the stock purchase agreement raised by Source Interlink, the debt financing commitments submitted by Source Interlink, the proposed equity commitment letter from Yucaipa and the lock-up agreement to be provided by AEC Associates, LLC.

The Board of Directors discussed the presentations by Goldman Sachs and Simpson Thacher & Bartlett, the terms of the Source Interlink proposal and the fact that certain stockholders affiliated with KKR, which represented a majority of the outstanding PRIMEDIA voting stock, would be willing to execute a written consent approving the sale of 100% of the common stock of PEM to Source Interlink. The Board of Directors further discussed the proposed repayment of outstanding debt of PRIMEDIA with the proceeds of the PEM sale. After further discussion, the Board of Directors directed Goldman Sachs and Simpson Thacher & Bartlett to continue their attempts to finalize the stock purchase agreement and related documentation with Source Interlink.

## Edgar Filing: PRIMEDIA INC - Form PRE 14C

Following the Board meeting, representatives of Goldman Sachs and Simpson Thacher & Bartlett continued to negotiate with representatives of Source Interlink and representatives over the course of the next few days.

On May 13, 2007, a meeting of the Board of Directors was convened to discuss the Source Interlink proposal to acquire PEM. Mr. Nelson updated the Board of Directors that the Company had reached agreement with Source Interlink regarding all outstanding issues. Representatives of Simpson Thacher & Bartlett reviewed with the Board of Directors the legal duties of directors in connection with an extraordinary transaction such as the proposed sale of PEM as well as the history of the sale process and the exploration of strategic alternatives by PRIMEDIA. Representatives of Goldman Sachs reviewed with the Board of Directors, among other matters, the sale process, the financial aspects of Source Interlink's proposal, certain financial and operating information regarding Source Interlink and summaries of the pro forma financial impact of the PEM sale on PRIMEDIA and Source Interlink. Representatives of Simpson Thacher & Bartlett reviewed with the Board of Directors a summary of the principal terms of the stock purchase agreement, the debt financing commitment from Citigroup obtained by Source Interlink, the equity commitment letter to be provided by Yucaipa and the lock-up agreement to be provided by AEC Associates, LLC. The Board of Directors discussed the presentations by Goldman Sachs and Simpson Thacher & Bartlett and the terms of the Source Interlink proposal. The Board of Directors further discussed with Goldman Sachs the purchase price proposed by Source Interlink and the fact that such purchase price represented the highest purchase price proposed by any of the potential purchasers who submitted a final bid proposal during the PEM sale process.

Representatives of Goldman Sachs reviewed with the Board of Directors the activities and relationships of Goldman Sachs in connection with the PEM sale, PRIMEDIA, Source Interlink and Yucaipa, as well as the fees to be received by Goldman Sachs and Lehman Brothers in connection with the PEM sale. The representatives of Goldman Sachs then left the meeting. The Board of Directors discussed the proposed sale of PEM to Source Interlink and the fees to be paid by PRIMEDIA to Goldman Sachs and Lehman Brothers in connection with the PEM sale.

The representatives of Goldman Sachs then rejoined the meeting. The Company's Board of Directors requested that Goldman Sachs render an opinion as to whether the proposed sale of PEM to Source Interlink was fair from a financial point of view to PRIMEDIA. Goldman Sachs delivered to the Board of Directors an oral opinion, which was subsequently confirmed by delivery of a written opinion dated May 13, 2007, that, as of such date and based upon and subject to the factors and assumptions discussed, the \$1,177,900,000 in cash to be received by PRIMEDIA for all of the outstanding shares of PEM pursuant to the Stock Purchase Agreement was fair, from a financial point of view, to PRIMEDIA. The full text of the written opinion by Goldman Sachs, which sets forth the assumptions made, procedures followed, matters considered and limitation on the review undertaken in connection with such opinion, is attached as Annex D to this Information Statement.

Following additional discussion and deliberation, the Board of Directors unanimously authorized and approved the Stock Purchase Agreement and the sale of PEM to Source Interlink and unanimously resolved to recommend that the Company's stockholders vote to approve the Stock Purchase Agreement and the transactions contemplated thereby.

The Stock Purchase Agreement was executed by the Company, Consumer Source Inc. and Source Interlink as of May 13, 2007, and the equity commitment letter and lockup agreement were executed by the parties thereto as of May 13, 2007. On May 14, 2007, the Company and Source Interlink announced the transaction.

## Reasons for the Sale

In reaching its decision to approve the Stock Purchase Agreement and the transactions contemplated thereby, and to recommend that the Company's stockholders vote to approve the Stock Purchase Agreement and the transactions contemplated thereby, the Board of Directors of the Company consulted with management and its financial and legal advisors. The Board of Directors considered a number of factors and potential benefits of the Sale including, without limitation, the following:

the possible alternatives to the Sale, including maintaining the operations of both the Consumer Guides and Enthusiast Media businesses of the Company, effecting a spin-off or sale of the Company's Consumer Guides business, engaging in additional acquisition or disposition transactions and the risks associated with such alternatives, each of which the Board of Directors determined not to pursue in light of its belief, and the belief of the Company's management, that the Sale maximized stockholder value and was more favorable to stockholders than any other alternative reasonably available to the Company and its stockholders;

favorable market conditions in respect of the Sale, and the extensive sale process with respect to PEM conducted by the Company with the assistance of Goldman Sachs and Lehman Brothers, which was publicly known for a number of months and involved engaging in discussions with more than 100 parties to determine their potential interest in purchasing PEM, entering into confidentiality agreements with more than 50 parties, the receipt of 14 preliminary proposals to acquire PEM and the receipt of four definitive proposals to acquire PEM;

the price proposed by Source Interlink (including the fact that Purchaser will assume the obligation to make certain earn-out payments relating to PEM's Automotive.com division, which Purchaser estimated to be approximately \$94.8 million in the aggregate) represented the highest price that the Company received for the acquisition of PEM;

the terms of the Stock Purchase Agreement, including without limitation, the fact that the non-financial terms of the proposal received by Source Interlink were, in the aggregate, more favorable than the proposals by the other bidders;

information regarding the financial performance, business operations, capital requirements and future prospects of the Company and the Enthusiast Media business and the potential alternative uses of net cash proceeds received from the Sale, including repayment of outstanding indebtedness obligations of the Company;

the financial presentation of Goldman Sachs and its opinion that, as of the date of the opinion and based upon and subject to the factors and assumptions set forth in such opinion, the \$1,177,900,000 in cash to be received by Seller for all of the outstanding shares of PEM common stock pursuant to the Stock Purchase Agreement was fair from a financial point of view to PRIMEDIA;

the strength of the debt commitment letter obtained by Purchaser, including the absence of any "market outs";

the equity commitment letter delivered by Yucaipa and the lock-up agreement entered into by AEC Associates, LLC and Purchaser;

the expectation that the Company will be able to use prior and current year net operating losses to offset recognized gains from the Sale; and

stockholders of PRIMEDIA would still own stock in PRIMEDIA and participate in future earnings and in the potential growth of the Consumer Guides business.



## Edgar Filing: PRIMEDIA INC - Form PRE 14C

The Board of Directors also considered and balanced against the potential benefits of the Sale a number of potentially adverse and other factors concerning the Sale, including, without limitation, the following:

the risk that the Sale might not be completed in a timely manner or at all, including the risk that the Sale will not occur if the financing contemplated by the debt commitment letters is not obtained;

the risk of diverting management focus and resources from other strategic opportunities and from operational matters while working to implement the Sale;

the possibility of management and employee disruption associated with the Sale;

interests of the Company's executive officers and directors in the Sale (see "Interests of Certain Persons in Matters to be Acted Upon");

the fact that the purchase price payable by Source Interlink will be provided by 100% debt financing; and

the risk of disruption to the Consumer Guides business as a result of the Sale and market reaction to the Sale.

After taking into account all of the factors set forth above, as well as other factors, the Board of Directors agreed that the benefits of the Sale outweigh the risks and that the Stock Purchase Agreement and the Sale are advisable and fair and in the best interests of the Company and its stockholders. The Board of Directors did not assign relative weights to the above factors or other factors it considered. In addition, the Board of Directors did not reach any specific conclusion on each factor considered, but conducted an overall analysis of such factors. Individual members of the Board of Directors may have given different weights to different factors.

### **Approval of the Sale**

After careful consideration, on May 13, 2007, the Board of Directors of PRIMEDIA unanimously approved the Stock Purchase Agreement and the transactions contemplated thereby, determined that the Stock Purchase Agreement and the transactions contemplated thereby are in the best interests of the Company and the Company's stockholders and recommended that our stockholders vote to approve the Stockholders Agreement and the transactions contemplated thereby.

The Sale may constitute a sale of substantially all of the Company's assets within the meaning of the DGCL. Section 271 of the DGCL permits a Delaware corporation to sell all or substantially all of its assets if the sale is approved by stockholders holding a majority of the shares entitled to vote thereon. Under Section 228 of the DGCL, unless otherwise provided in a corporation's certificate of incorporation, any action required to be taken at any annual or special meeting of stockholders, or any action that may be taken at any annual or special meeting of stockholders, may be taken without a meeting, without prior notice and without a vote, if a written consent to that action is signed by the stockholders having not less than the minimum number of votes that would be necessary to authorize or take that action at a meeting at which all shares were present and voted.

On May 13, 2007, stockholders of the Company holding in excess of a majority of the outstanding shares of the Company's common stock, constituting the sole class of voting securities of the Company, executed and delivered to the Company their consent approving the Stock Purchase Agreement and the transactions contemplated thereby. The stockholder consent is sufficient under Delaware law to approve the Stock Purchase Agreement without the requirement of any other stockholder vote. No further action of the stockholders is required to approve the Sale.

## Edgar Filing: PRIMEDIA INC - Form PRE 14C

The table below sets forth the actual shares of common stock over which the parties executing the written consent have voting authority. As of May 13, 2007, the record date for approval of this transaction, there were outstanding 264,903,002 shares of common stock of the Company.

<u>Name</u>	<u>Number of Shares Owned</u>	<u>Percentage</u>
KKR Associates, L.P.(1)	106,886,265	40.35%
KKR 1996 GP LLC(2)	57,060,039	21.54%
<b>TOTAL</b>	<b>163,946,304</b>	<b>61.89%</b>

- (1) Shares of common stock shown as owned by KKR Associates, L.P. are owned of record by MA Associates, L.P., FP Associates, L.P., Magazine Associates, L.P., Publishing Associates, L.P., Channel One Associates, L.P., and KKR Partners II, L.P., of which KKR Associates, L.P. is the general partner and as to which it possesses sole voting and investment power.
- (2) Of the shares shown as owned by KKR 1996 GP LLC, 49,190,039 shares are represented by shares of the Company's common stock and 7,870,000 shares are represented by warrants to purchase 7,870,000 shares of the Company's common stock which are currently exercisable by the holder. The shares of common stock and the warrants to purchase common stock shown as owned by KKR 1996 GP LLC are owned of record by KKR 1996 Fund L.P., of which KKR Associates 1996 L.P. is the sole general partner. KKR 1996 GP LLC is the sole general partner of KKR Associates 1996 L.P. and possesses sole voting and investment power.

### Opinion of Goldman Sachs

Goldman Sachs rendered its opinion to PRIMEDIA's Board of Directors that, as of May 13, 2007 and based upon and subject to the factors and assumptions set forth therein, the \$1,177,900,000 in cash to be received by Seller for all of the outstanding shares of PEM common stock pursuant to the Stock Purchase Agreement was fair from a financial point of view to PRIMEDIA.

**The full text of the written opinion of Goldman Sachs, dated May 13, 2007 which sets forth assumptions made, procedures followed, matters considered and limitations on the review undertaken in connection with the opinion, is attached as Annex D hereto. Goldman Sachs provided its opinion solely for the information and assistance of PRIMEDIA's Board of Directors in connection with its consideration of the transaction.**

In connection with rendering the opinion described above and performing its related financial analyses, Goldman Sachs reviewed, among other things:

the Stock Purchase Agreement;

annual reports to stockholders and Annual Reports on Form 10-K of PRIMEDIA for the five fiscal years ended December 31, 2006;

certain interim reports to stockholders and Quarterly Reports on Form 10-Q of PRIMEDIA;

certain other communications from PRIMEDIA to its stockholders;

audited financial statements of PEM for the three years ended December 31, 2006;



Edgar Filing: PRIMEDIA INC - Form PRE 14C

unaudited financial statements of PEM for the quarter ended March 31, 2007 prepared by its management; and

certain internal financial analyses and forecasts for PEM prepared by its management, as reviewed and approved by the management of PRIMEDIA.

## Edgar Filing: PRIMEDIA INC - Form PRE 14C

Goldman Sachs also held discussions with members of the senior management of PRIMEDIA and PEM regarding their assessment of the past and current business operations, financial condition, and future prospects of PEM, including the risks and uncertainties of achieving the forecasts for PEM prepared by its management. In addition, Goldman Sachs compared certain financial information for PEM with similar financial and stock market information for certain other companies the securities of which are publicly traded, reviewed the financial terms of certain recent business combinations in the consumer publishing industry specifically and in other industries generally and performed such other studies and analyses, and considered such other factors, as Goldman Sachs considered appropriate.

Goldman Sachs relied upon the accuracy and completeness of all of the financial, legal, accounting, tax and other information discussed with or reviewed by it and assumed such accuracy and completeness for purposes of rendering the opinion described above. In addition, Goldman Sachs did not make an independent evaluation or appraisal of the assets and liabilities (including any contingent, derivative or off-balance-sheet assets and liabilities) of PRIMEDIA, Seller, PEM or any of their respective subsidiaries, nor was any evaluation or appraisal of the assets or liabilities of PRIMEDIA, Seller, PEM or any of their respective subsidiaries furnished to Goldman Sachs. Goldman Sachs did not express any opinion as to the impact of the transaction on the solvency or viability of Purchaser or PEM, or the ability of Purchaser or PEM to pay its obligations when they come due. Goldman Sachs' opinion does not address the underlying business decision of PRIMEDIA to engage in the transaction. In addition, Goldman Sachs did not express any opinion as to the prices at which shares of common stock of PRIMEDIA will trade at any time. Goldman Sachs' opinion was necessarily based on economic, monetary, market and other conditions as in effect on, and the information made available to Goldman Sachs as of May 13, 2007. In rendering its opinion, Goldman Sachs did not take into account any indemnification provisions contained in the Stock Purchase Agreement, as to which Goldman Sachs expresses no view. Goldman Sachs' advisory services and the opinion expressed in the opinion were provided solely for the information and assistance of the Board of Directors of PRIMEDIA in connection with its consideration of the transaction.

The amount of consideration to be received was determined through arms'-length negotiations between PRIMEDIA and Purchaser and was approved by PRIMEDIA's Board of Directors. Goldman Sachs provided advice to PRIMEDIA during these negotiations. Goldman Sachs did not, however, recommend any specific amount of consideration to PRIMEDIA or its Board of Directors or that any specific amount of consideration constituted the only appropriate consideration for the transaction.

The preparation of a fairness opinion is a complex process and is not necessarily susceptible to partial analysis or summary description. Goldman Sachs made its determination as to fairness on the basis of its experience and professional judgment after considering the results of all its analyses. As described above, Goldman Sachs' opinion to PRIMEDIA's Board of Directors was one of many factors taken into consideration by PRIMEDIA's Board of Directors in making its determination to approve the Stock Purchase Agreement.

Goldman Sachs and its affiliates, as part of their investment banking business, are continually engaged in performing financial analyses with respect to businesses and their securities in connection with mergers and acquisitions, negotiated underwritings, competitive biddings, secondary distributions of listed and unlisted securities, private placements and other transactions as well as for estate, corporate and other purposes. Goldman Sachs acted as financial advisor to PRIMEDIA in connection with, and participated in certain of the negotiations leading to, the transaction contemplated by the Stock Purchase Agreement. In addition, Goldman Sachs has provided certain investment banking services to PRIMEDIA from time to time, including having acted as financial advisor to PRIMEDIA with respect to the sale of About.com in March 2005 and as financial advisor to PRIMEDIA with respect to the sale of its Crafts business in September 2006. In addition, Goldman Sachs has provided certain investment banking services to KKR, a significant shareholder of PRIMEDIA, from time to time, including having acted as financial advisor to the consortium including KKR with respect to its

acquisition of SunGard Data Systems, Inc. in July 2005 and underwriter with respect to the public offering of 9.125% Senior Unsecured Notes due 2013 and 10.250% Senior Subordinated Notes due 2015 (aggregate principal amount \$2,600,000,000) related to the acquisition of a 54% stake in PagesJaunes Groupe from France Telecom in October 2006; as co-manager of the public offering of 9.125% Senior Unsecured Notes due 2014, 9.250% Senior Unsecured Notes due 2016 and 9.625% Senior Unsecured Notes due 2016 (aggregate principal amount \$4,700,000,000) of HCA Inc. concurrent with its sale to a consortium containing KKR in November 2006; as financial advisor to KKR with respect to its acquisition of KION Group GmbH from Linde AG in December 2006; as joint bookrunner with respect to the public offering of 10,700,000 shares of common stock of Demag Cranes & Components GmbH, a portfolio company of KKR, in December 2006; as financial advisor to the consortium containing KKR with respect to its acquisition of TXU Corp. in February 2007; as financial advisor to The Nielsen Company, a portfolio company of KKR, in connection with its sale of VNU Business Media in February 2007; and as financial advisor to KKR with respect to its acquisition of First Data Corporation in April 2007. Goldman Sachs has provided certain investment banking services to Yucaipa, an affiliate of AEC Associates, LLC and a significant shareholder of Source Interlink Companies, Inc., from time to time, including having acted as financial advisor to TDS Logistics, Inc., a portfolio company of Yucaipa, in its sale to Walsh Western International in March 2007. Goldman Sachs also may provide investment banking services to PRIMEDIA, KKR, Purchaser, Yucaipa and their respective affiliates and portfolio companies in the future. In connection with the above-described investment banking services Goldman Sachs has received, and may receive in the future, compensation.

Goldman Sachs is a full service securities firm engaged, either directly or through its affiliates, in securities trading, investment management, financial planning and benefits counseling, risk management, hedging, financing and brokerage activities for both companies and individuals. In the ordinary course of these activities, Goldman Sachs and its affiliates may provide such service to PRIMEDIA, KKR, Purchaser, Yucaipa and their respective affiliates, may actively trade the debt and equity securities of PRIMEDIA and Purchaser (or related derivative securities) for their own account and for the accounts of their customers and may at any time hold long and short positions of such securities. Affiliates of Goldman Sachs have also co-invested with KKR and its affiliates from time to time and may do so in the future. Affiliates of Goldman Sachs have invested in limited partnership units of KKR and its affiliates and may do so in the future.

The Board of Directors of PRIMEDIA selected Goldman Sachs as its financial advisor because it is an internationally recognized investment banking firm that has substantial experience in transactions similar to the transaction. Pursuant to a letter agreement, dated January 29, 2007, PRIMEDIA engaged Goldman Sachs to act as its financial advisor in connection with the contemplated transaction. Pursuant to the terms of this engagement letter, PRIMEDIA has agreed to pay Goldman Sachs a transaction fee of \$8,947,500, all of which is payable upon consummation of the transaction. In addition, PRIMEDIA has agreed to reimburse Goldman Sachs for its expenses, including attorneys' fees and disbursements, and to indemnify Goldman Sachs and related persons against various liabilities, including certain liabilities under the federal securities laws.

#### **Additional Financial Advisor**

The Board of Directors of PRIMEDIA also engaged Lehman Brothers to act as its financial advisor and to provide financial advisory services to the Board of Directors of PRIMEDIA in connection with the contemplated transaction. Lehman Brothers was selected because it is an internationally recognized investment banking firm that has substantial experience in transactions similar to the transaction. Pursuant to the terms of its engagement letter with Lehman Brothers, dated January 19, 2007, PRIMEDIA has agreed to pay Lehman Brothers a transaction fee of \$8,947,500, all of which is payable upon consummation of the transaction. In addition, PRIMEDIA has agreed to

reimburse Lehman Brothers for its expenses, including attorneys' fees and disbursements, and to indemnify Lehman Brothers and related persons against various liabilities, including certain liabilities under the federal securities laws. In light of the fact that Lehman Brothers would be offering to potential purchasers stapled financing to fund the acquisition of PEM, the Company did not ask Lehman Brothers to render an opinion that the \$1,177,900,000 in cash to be received by Seller for all of the outstanding shares of PEM common stock pursuant to the Stock Purchase Agreement was fair from a financial point of view to PRIMEDIA.

### **Consideration; Intended Use of Proceeds**

Pursuant to the terms of the Stock Purchase Agreement, Purchaser will acquire from Seller 100% of the shares of common stock, par value \$0.01 per share, of PEM for \$1,177,900,000 in cash at closing, subject to certain post-closing adjustments. In addition, Purchaser will assume the obligation to make certain earn-out payments relating to PEM's Automotive.com division.

As a result of the Sale, the Company expects to have approximately \$1,150,000,000 in net proceeds after payment of fees and expenses and before the payment of any cash taxes in connection with the gain. Although the parties agreed to make an election under Section 338(h)(10) of the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code") in connection with the Sale, the Company expects to have significant net operating loss carry-forwards following the consummation of the Sale. See "Certain United States Federal Income Tax Considerations" below.

As of the date of this Information Statement, the Company intends to use such proceeds to reduce the Company's indebtedness by paying down funds outstanding under the Company's credit facility, tendering for (or redeeming) each of the Company's Senior Floating Rate Notes due 2010 (the "Senior Floating Rate Notes") and 8<sup>7</sup>/<sub>8</sub>% Senior Notes due 2011 (the "2011 Notes"), tendering for 8% Senior Notes due 2013 (the "2013 Notes") and seeking consents from the holders of the Senior Floating Rate Notes, 2011 Notes and 2013 Notes to effect certain amendments to the respective indentures governing such notes.

To the extent that, as of the closing date of the Sale, the requisite consents to adopt the proposed indenture amendments have not been obtained with respect to the Senior Floating Rate Notes and the 2011 Notes, the Company will issue, immediately prior to the effective time of the Sale, irrevocable notices of optional redemption for Senior Floating Rate Notes and the 2011 Notes and shall satisfy and discharge such notes and the related indentures. To the extent that, as of the closing date of the Sale, the requisite consents to adopt the proposed indenture amendments have not been obtained with respect to the 2013 Notes, the Company may be in breach of the indenture relating to the 2013 Notes to the extent that the Sale were found to constitute a sale or transfer of substantially all of the assets of the Company. Under the terms of the Indenture relating to the 2013 Notes, if the covenant relating to mergers, consolidations or sales of assets were to be breached, either the trustee under the indenture relating to the 2013 Notes or by holders of at least 30% of the outstanding 2013 Notes could deliver a notice of default to the Company and if such default were not to be cured within 30 days after such notice the 2013 Notes could be accelerated.

### **Plans Following the Sale**

Following the consummation of the Sale, the Company intends to continue to operate its remaining Consumer Guides business. The Company will continue to operate as a public company, and intends that its common stock will continue to be traded on the New York Stock Exchange.

As noted above, the Company intends to use the net proceeds to be received in the Sale to repay existing indebtedness. In connection with the closing of the Sale, subject to a final determination by the Board of Directors regarding an appropriate capital structure for the Company, the Company intends to incur a significant amount of new indebtedness in an aggregate amount to be determined by the

Company's Board of Directors. As of the date of this Information Statement, it is anticipated that the Company may incur up to approximately \$200 million to \$300 million of new indebtedness in connection with closing of the Sale. The Company's Board of Directors will determine the use(s) of the new indebtedness proceeds, which may include, if determined by the Board of Directors in its sole and absolute discretion, the payment of a special dividend and/or the establishment of an ongoing dividend policy.

For information showing certain pro forma effects of the Sale on the financial condition of the Company, see "Certain Pro Forma Financial Information".

In addition, before or after the closing of the Sale, the Company may effect a Reverse Stock Split, which is more fully described in "Amendment to Effect a Reverse Stock Split."

## Financing

Purchaser has obtained a commitment letter (the "Debt Commitment Letter") from Citigroup Global Markets Inc. ("Citigroup") and JPMorgan Chase Bank, N.A. ("JPMorgan") for (i) senior secured credit facilities in an aggregate principal amount of \$1.18 billion, out of which \$880 million consists of a senior term loan and \$300 million consists of a revolving credit facility and (ii) up to \$465 million in a senior subordinated credit facility (bridge financing) or the issuance of senior subordinated notes in a public offering. Under the terms of the Debt Commitment Letter, Citigroup has made a commitment to provide 70% of such facilities, and JPMorgan has made a commitment to provide 30% of such facilities. Purchaser intends to fund 100% of the purchase price with its proposed debt financing. Purchaser is obligated to draw on its committed bridge financing at closing, subject to the satisfaction or waiver of the closing conditions and the Company's delivery of certain financial statements of PEM. The facilities contemplated by the financing are conditioned upon the consummation of the Sale, as well as other customary conditions including:

the execution of satisfactory definitive documentation;

the absence of a material adverse change in (i) the business, assets, operations, condition (financial or otherwise) of Purchaser and its subsidiaries, taken as a whole, (ii) the ability of Purchaser or the guarantors in respect of the debt financing to perform their respective obligations under the definitive documentation or (iii) the ability of the administrative agent and senior lenders to enforce the definitive documentation;

satisfactory evidence of payment by Purchaser of certain indebtedness of Purchaser (approximately \$108 million);

the absence of any amendments, modifications or waivers to the Stock Purchase Agreement to the extent adverse to the lenders in any material respect which have not been approved by the arrangers;

the creation of perfected security interests;

payment of fees and expenses;

the absence of a material breach of representations made by PRIMEDIA or Seller with respect to PEM and its subsidiaries in the Stock Purchase Agreement that are material to the lenders (and only in respect of those breaches which would give rise to a termination right of Purchaser under the Stock Purchase Agreement);

the receipt of specified financial statements of PEM and Purchaser; and

the receipt of a solvency certificate from Source Interlink confirming the solvency of Source Interlink and its subsidiaries on a consolidated basis after giving effect to the Sale.



## Edgar Filing: PRIMEDIA INC - Form PRE 14C

Purchaser has agreed to use its reasonable best efforts to arrange and obtain financing on the terms and conditions described in the Debt Commitment Letter, and we have agreed to cooperate with those efforts, including by making our employees available and by providing certain PEM financial statements. In the event all or any portion of the financing contemplated by the Debt Commitment Letter becomes unavailable on the terms and conditions described in or contemplated by the Debt Commitment Letter for any reason, Purchaser is obligated to use its reasonable best efforts to arrange to obtain alternative financing from alternative sources in an amount sufficient to consummate the transactions contemplated by the Stock Purchase Agreement.

### *Senior Secured Credit Facilities*

The commitment to provide the senior secured credit facilities was issued by Citigroup and JPMorgan. Borrowings under the senior term loan facility will be made on the closing date. Loans under the revolving facility will be available after the closing date during the availability period thereof. The senior secured credit facilities will be guaranteed by Purchaser's direct and indirect domestic subsidiaries and will be secured by a first priority lien on capital stock and substantially all the tangible and intangible properties and assets of the Purchaser and the subsidiary guarantors.

### *Senior Subordinated Notes; Bridge Facilities*

If the full amounts of the senior subordinated notes are not issued in the proposed offerings on or prior to the closing date, Citigroup and JPMorgan have committed to provide up to \$465 million in a senior subordinated credit facility (bridge financing). Borrowings under the bridge financing will be made simultaneously with the closing and the initial funding under the senior secured credit facilities. The senior subordinated notes and the bridge financing will be guaranteed by all of Purchaser's subsidiaries that guarantee the senior secured credit facilities.

### *Equity Commitment Letter*

In addition, Yucaipa delivered to Purchaser an equity commitment letter (the "Equity Commitment Letter") whereby it has agreed to, under certain circumstances, purchase securities of Purchaser in an amount sufficient for Purchaser to consummate the debt financing and close the sale contemplated by the Stock Purchase Agreement, provided that Yucaipa will not be obligated to purchase securities or be liable for damages, obligations or amounts in connection with or related to the Equity Commitment Letter to any party for more than \$100 million in the aggregate. Purchaser's largest shareholder, AEC Associates, LLC, also entered into a lock-up agreement (the "Lock-up Agreement") with Purchaser whereby AEC Associates, LLC has agreed not to transfer any shares of Purchaser's common stock that it beneficially owns until the closing of the Sale or the termination of the Stock Purchase Agreement, whichever occurs first. Yucaipa is affiliated with AEC Associates, LLC, which holds approximately 34% of Source's outstanding stock. For a more detailed description of these agreements, see "Ancillary Agreements."

### **Accounting Treatment**

Upon completion of the Sale, the Company will remove the assets and liabilities of PEM and its subsidiaries from the Company's consolidated balance sheet and record a gain on the Sale equal to the difference between the net assets disposed of and the purchase price received, less transaction-related fees, expenses and taxes.

### **Certain United States Federal Income Tax Considerations**

The following is a summary of the anticipated material U.S. federal income tax consequences to us as a result of engaging in the Sale. The discussion does not cover all aspects of U.S. federal income

taxation and does not address state, local, foreign, or other tax laws. The summary is based on the tax laws of the United States, including the Internal Revenue Code, its legislative history, existing and proposed regulations thereunder, published rulings and court decisions, all as currently in effect and all subject to change at any time, possibly with retroactive effect.

The Stock Purchase Agreement provides that the Company will join in a Section 338(h)(10) election, the effect of which is to treat the Sale as a sale of assets for U.S. federal income tax purposes. At present, we anticipate recognizing a gain for federal income tax purposes on the Sale equal to the difference between the purchase price (less transaction costs) and our tax basis in the assets being sold. We anticipate using a substantial portion of our prior and any current year net operating losses to offset the recognized gain on the Sale. As of the date of this Information Statement, we estimate that net operating losses for federal income tax purposes are approximately \$1.2 billion. We anticipate, however, that we will pay some amount of alternative minimum tax on the gain, due to net operating loss limitations, which will likely be imposed. The Sale may also produce tax liability in certain states which may not be offset by our net operating loss carryforwards in those certain states due to state statutes limiting the use of such net operating loss carryforwards. As of the date of this Information Statement, we estimate the aggregate amount of alternative minimum tax and such state tax liabilities to be approximately \$42.3 million. The Sale will not produce any separate and independent federal income tax consequences to our stockholders.

### **Regulatory Approvals**

The Hart-Scott-Rodino Act and related rules provide that transactions such as the Sale may not be completed until certain information and documents have been submitted to the Federal Trade Commission and the Antitrust Division of the U.S. Department of Justice and specified waiting period requirements have been observed. On May 24, 2007, the Company and Purchaser each filed a Notification and Report Form with the Antitrust Division and the Federal Trade Commission and requested early termination of the waiting period. The waiting period initiated by these filings is scheduled to expire on June 25, 2007.

Under the Stock Purchase Agreement, each of Purchaser and Seller has agreed to use its reasonable best efforts to obtain all governmental authorizations necessary and to avoid or eliminate each and every impediment under any antitrust law that may be asserted by any governmental antitrust authority or any other party so as to enable the parties to expeditiously close the transactions contemplated by the Stock Purchase Agreement. "Reasonable best efforts" of Purchaser for purposes of this covenant includes promptly opposing any motion or action for an injunction against the transactions contemplated by the Stock Purchase Agreement and, if Purchaser loses such motion or action, divesting the products and assets of PEM and its subsidiaries or Purchaser and its affiliates (provided that any such divestitures would not have a material adverse effect on the business, assets or financial condition of PEM and its subsidiaries, after giving effect to the consummation of the transactions contemplated by the Stock Purchase Agreement).

Except as noted above with respect to the required filings under the Hart-Scott-Rodino Act at or before the effective date of the Sale, we are unaware of any material federal, state or foreign regulatory requirements or approvals required for the completion of the Sale.

### **Absence of Dissenters' Rights**

No dissenters' or appraisal rights are available to the Company's stockholders under the DGCL or our certificate of incorporation or bylaws in connection with the Stock Purchase Agreement or transactions contemplated thereby.



**Interests of Certain Persons in Matters to be Acted Upon**

In connection with the proposed Sale, the Compensation Committee of the Board of Directors of the Company approved the following special bonuses to be paid by the Company to the certain officers and employees of the Company and the Nominating and Corporate Governance Committee of the Board of Directors and the Board of Directors of the Company approved the following special bonus to be paid to Dean B. Nelson, the Chairman of the Board of Directors and the Company's President and Chief Executive Officer:

<b>Named Executive Officer</b>	<b>Title</b>	<b>Sale Bonus</b>	<b>Retention Bonus</b>
Dean B. Nelson	Chairman of the Board of Directors, President and Chief Executive Officer	\$ 1,000,000	
Kevin J. Neary	Senior Vice President, Chief Financial Officer	\$ 555,800	\$ 250,000
Steven Parr	Senior Vice President, President of PEM	\$ 1,845,300	\$ 500,000
Steven R. Aster	Senior Vice President, President of Consumer Marketing for PEM	\$ 555,800	\$ 300,000
Jason S. Thaler	Senior Vice President, General Counsel and Secretary	\$ 125,000	
Gregory Goff	President, PEM Online	\$ 461,325	\$ 250,000
Nicola Allais	Vice President, Strategy and Operations	\$ 250,000	
Judy Anzalone	Chief Financial Officer, Automotive and Home Tech	\$ 50,000	\$ 50,000
Angus MacKenzie	Editor-in-Chief, Motor Trend and Editorial Director, Consumer Automotive Group	\$ 25,000	

Each of the officers and employees listed above will be entitled to the sale bonuses set forth above if such officer or employee remains employed by the Company through closing of the Sale (or if such officer's or employee's employment is terminated without cause prior to the closing of the Sale). The sale bonus payable to Mr. Nelson was awarded in connection with the proposed Sale and the transition of the Company's operations and management to Atlanta, Georgia. The sale bonuses payable to Messrs. Neary, Parr, Aster, Thaler, Goff, Allais and MacKenzie and to Ms. Anzalone were awarded in connection with the proposed Sale, and the sale bonuses payable to Messrs. Neary, Parr, Aster and Goff were determined pursuant to a formula based on the sale price of \$1,177,900,000. In addition, each of Messrs. Neary, Parr, Aster and Goff and Ms. Anzalone will be entitled to a separate retention bonus set forth above if they remain employed by the successor company to PEM for nine months following the closing of the Sale (or if such officer's or employee's employment is terminated without cause prior to the closing of the Sale or prior to the date which is nine months from the closing of the sale).

## THE STOCK PURCHASE AGREEMENT

The following summarizes material provisions of the Stock Purchase Agreement, a copy of which is attached to this Information Statement as Annex A and which we incorporate by reference into this document. This summary does not purport to be complete, and the rights and obligations of the parties are governed by the express terms of the Stock Purchase Agreement and not by this summary or any other information contained in this Information Statement. The discussion of the Stock Purchase Agreement is qualified in its entirety by reference to the document.

The description of the Stock Purchase Agreement in this Information Statement has been included to provide you with information regarding its terms. The Stock Purchase Agreement contains representations and warranties made by and to the Company, Seller and Purchaser as of specific dates. The statements embodied in those representations and warranties were made for purposes of that contract between the parties and are subject to qualifications and limitations agreed by the parties in connection with negotiating the terms of that contract. In addition, certain representations and warranties were made as of a specified date, may be subject to contractual standards of materiality different from those generally applicable to shareholders, or may have been used for the purpose of allocating risk between the parties rather than establishing matters as facts.

### Purchase Price

Subject to the terms and conditions of the Stock Purchase Agreement, Seller will sell 100% of the shares of common stock, par value \$0.01 per share, of PEM, free and clear of all liens and free and clear of any covenant, condition, restriction or arrangement with respect to the ownership or voting of such shares. As consideration for such sale, Purchaser will pay to Seller \$1,177,900,000 in cash, subject to adjustment as described below. In addition, Purchaser will assume the obligation to make certain earn-out payments relating to PEM's Automotive.com division.

Within 75 days after the closing date, Purchaser will deliver to Seller a balance sheet reflecting the financial condition of PEM as of the closing date and a calculation of the difference between the amount of certain assets and liabilities of PEM and its subsidiaries as of the closing date, determined in a manner described in the Stock Purchase Agreement. In addition, the balance sheet will reflect a calculation of the amount of the liabilities of PEM and its subsidiaries as of the closing date under the caption "Miscellaneous Current Liabilities" as determined in a manner described in the Stock Purchase Agreement (the "Miscellaneous Current Liabilities"). If Seller notifies Purchaser of any objections to any items on the balance sheet within 45 days of its receipt, Seller and Purchaser will have 30 days to negotiate in good faith to resolve any disputed items, after which any remaining disputed items will be submitted to a neutral auditor.

If the difference between the assets and liabilities is more negative than negative \$16,191,000, Seller will pay to Purchaser the amount of such deficiency. If such amount is less negative than negative \$16,191,000, Purchaser will pay to Seller the amount of such excess up to \$3,000,000. In addition, if the amount of the Miscellaneous Current Liabilities is more negative than negative \$27,232,000, Seller will pay to Purchaser the amount of such excess. After the final determination of the working capital adjustment(s), if any, no party shall have the right to make any claims against any other party in respect of any element included in the final working capital amount or Miscellaneous Current Liabilities amount.

**Representations and Warranties**

The Company and Seller make various representations and warranties in the Stock Purchase Agreement that are qualified, in many cases, by a "material adverse effect" standard. Our representations and warranties relate to, among other things:

our organization valid existence and good standing and PEM's qualification to do business;

PEM's capitalization and Seller's title to shares of PEM;

ownership of title to shares of PEM's subsidiaries, other than 19.9% of the issued and outstanding shares of capital stock of Automotive.com;

our corporate power and authority and due authorization to enter into the Stock Purchase Agreement and any ancillary agreements and to consummate the transactions contemplated by the Stock Purchase Agreement and such ancillary agreements;

absence of violations of or conflicts with our governing documents, applicable law or certain agreements as a result of entering into the Stock Purchase Agreement and any ancillary agreements and consummating the Sale;

absence of consents and approvals of U.S. and foreign governmental entities required in connection with the execution, delivery or performance by Seller of the Stock Purchase Agreement;

compliance with applicable legal requirements and issuance of permits;

absence of legal proceedings;

absence of brokers' fees;

organization and authority of PEM and its subsidiaries;

financial statements;

absence of undisclosed liabilities;

ownership of intellectual property rights;

material contracts;

labor and employment matters;

employee benefit plans and programs;

Edgar Filing: PRIMEDIA INC - Form PRE 14C

absence of certain changes between December 31, 2006 and the date of the Stock Purchase Agreement;

affiliate transactions;

PEM and its subsidiaries' insurance policies;

environmental matters;

PEM and its subsidiaries' properties and title to assets;

absence of any material barter obligations or receivables;

advertisers;

circulation and distribution of publications; and

tax matters.

## Edgar Filing: PRIMEDIA INC - Form PRE 14C

For the purposes of the Stock Purchase Agreement, "material adverse effect" means any event, change or occurrence after the date of the Stock Purchase Agreement that, individually or in the aggregate, is or would reasonably be expected to be materially adverse to the business, assets, liabilities, financial condition or results of operations of the businesses of PEM and its subsidiaries, taken as a whole. A "material adverse effect" will not have occurred, however, as a result of:

changes in general economic, financial market or geopolitical conditions which changes do not affect the businesses of PEM and its subsidiaries disproportionately relative to other similarly situated entities operating in the media or publishing industries;

general changes or developments in the media or publishing industries which changes do not affect the businesses of PEM and its subsidiaries disproportionately relative to other similarly situated entities operating in such industries;

the announcement of the Stock Purchase Agreement and the transactions contemplated thereby, including any termination of, reduction in or similar negative impact on relationships, contractual or otherwise, with any customers, suppliers, distributors, partners or employees of PEM and its subsidiaries to the extent due to the announcement and performance of the Stock Purchase Agreement or the identity of Purchaser, or the performance of the Stock Purchase Agreement and the transactions contemplated thereby, including compliance with the covenants set forth therein;

changes in any applicable laws or regulations or applicable accounting regulations or principles or interpretations thereof after the date of the Stock Purchase Agreement; or

any outbreak or escalation of hostilities or war or any act of terrorism.

The Stock Purchase Agreement also contains various representations and warranties made by Purchaser that are subject, in some cases, to specified exceptions and qualifications. The representations and warranties relate to, among other things:

its organization, valid existence and good standing;

its corporate power and authority and due authorization to enter into the Stock Purchase Agreement and to consummate the transactions contemplated by the Stock Purchase Agreement;

absence of any violation of or conflict with its governing documents, applicable law or certain agreements as a result of entering into the Stock Purchase Agreement and any ancillary agreements and consummating the Sale;

absence of consents and approvals of governmental entities required in connection with the execution, delivery or performance by Purchaser of the Stock Purchase Agreement;

absence of litigation;

absence of broker's fees;

Purchaser's investment purpose;

Purchaser's own examination of the assets being acquired; and

Purchaser's financial ability and debt financing commitment letter.

## Covenants

Subject to certain limitations, Purchaser and Seller have agreed to use reasonable best efforts to, among other things:

consummate the transactions contemplated by the Stock Purchase Agreement;

obtain any consents from any party to any material contract or any governmental authority which is required in connection with the transactions contemplated by the Stock Purchase Agreement;

cause the assets used exclusively in the conduct or administration of the businesses of PEM and its subsidiaries to be assigned or otherwise transferred, without cost, to the Company;

use their respective reasonable commercial efforts to have the Company, Seller or any of their subsidiaries released from guarantees of the obligations of PEM or any subsidiary of PEM to any third party as soon as practicable after the closing date; and

prior to closing, negotiate in good faith schedules to a transition services agreement to be entered into between the Company and Purchaser (see "Ancillary Agreements").

Prior to or concurrently with the closing, Seller has agreed, among other things, to obtain a release of any guarantees entered into or given by PEM or any subsidiary of PEM and any pledges of assets of PEM or any subsidiary of PEM that secure indebtedness of the Company, Seller or any of Seller's subsidiaries.

Purchaser has agreed to, among other things:

commencing on the closing date, employ each employee of PEM and its subsidiaries who is an employee of PEM or any of its subsidiaries immediately prior to the closing at no less than the wage or salary, commission and bonus opportunity in effect immediately prior to the closing and provide each such employee with the opportunity to participate in employee benefit plans and programs that are at least as beneficial as those in effect prior to the closing;

following the closing, pay to such employees bonuses and other compensation in respect of the year ended December 31, 2007 to the extent that such employees are employed by Purchaser and its subsidiaries at the date such payments are to be made and such bonuses and other compensation have been earned in accordance with the employee benefit plans of PEM and its subsidiaries as applied by Purchaser and its subsidiaries following the closing date (provided that, in any event, Purchaser shall maintain through December 31, 2007 the Company's Executive Incentive Compensation Plan);

recognize prior service and provide employees with credit under certain employee benefit plans and programs;

use reasonable best efforts to obtain the debt financing contemplated by the Debt Commitment Letter or any alternative financing obtained by Purchaser; and

cease all use of any trademarks containing the name "PRIMEDIA" within 180 days after the closing date.

For a more complete description of the covenants made by the parties, please see "The Sale Financing," "The Sale Regulatory Approvals" and Annex A.

### *Non-Competition and Non-Solicitation Covenants*

## Edgar Filing: PRIMEDIA INC - Form PRE 14C

The Company has agreed that for three years following closing, the Company will not and will cause its subsidiaries not to own, control or participate in the ownership, management, operation or control of any company or other entity that is primarily engaged in the businesses of PEM and its



## Edgar Filing: PRIMEDIA INC - Form PRE 14C

subsidiaries. However, the Company and Seller may continue to engage in the type of business engaged in by the Auto Guide division of Seller comprised of publishing and distributing free print and online guides containing content, listing and other information with respect to sales of new or used automotive vehicles, so long as the Company and Seller do not, and cause their respective subsidiaries not to, acquire any entity or business that had more than 75% of its consolidated revenues for the 12-month period prior to such acquisition derived from online, consumer-driven lead generation business related to sales of new automotive vehicles.

In addition, the Company has agreed and has agreed to cause its subsidiaries, for a period of two years following the date of the Stock Purchase Agreement, not to hire, solicit for employment, attempt to employ or assist any other entity in employing or soliciting for employment any officer, publisher or editor-in-chief of PEM or any of its subsidiaries as of the closing date, except that Seller may hire any such person who contacts Seller on his or her own initiative without any solicitation by or encouragement from Seller. For purposes of this provision, a general solicitation by public advertisement does not constitute solicitation.

### *Conduct of Business Pending the Sale*

Seller has agreed that through the closing date it will cause PEM and its subsidiaries to conduct their businesses in the ordinary course in a manner substantially consistent with past practice and, subject to certain exceptions, not permit PEM or any of its subsidiaries to, without the prior approval of Purchaser:

amend its governing documents;

issue additional shares of stock, convertible stock or options;

declare or pay dividends, other than cash dividends paid to Seller;

sell or transfer any of its properties, rights or assets pertaining to its business;

incur any indebtedness;

grant any increase in, or accelerate the vesting of, employee benefits;

change any accounting method;

make any material acquisitions;

enter into or materially amend any material contracts; or

agree to take any of the foregoing actions.

Purchaser has agreed that through the closing date Purchaser will not, and will not permit any of its subsidiaries to:

take any action that would, or would reasonably be expected to, prevent, impede or materially delay the consummation of the transactions contemplated by the Stock Purchase Agreement or any ancillary agreements or the ability of Purchaser to obtain the financing contemplated in the Stock Purchase Agreement;

declare or pay dividends or repurchase, redeem or otherwise acquire any shares of its capital stock or securities convertible into or exercisable for any shares of its capital stock;

Edgar Filing: PRIMEDIA INC - Form PRE 14C

make acquisitions in excess of \$100,000,000 in the aggregate; or

agree or publicly disclose any intention to take any of the foregoing actions.

### Conditions to Closing; Closing Date

The obligations of the parties to complete the Sale are subject to the satisfaction, as of the closing date, of the closing conditions that include:

the accuracy, in all respects, of Seller's representations regarding the capitalization of PEM, the Company's and Seller's authorization to execute, deliver and perform the Stock Purchase Agreement and Ancillary Agreements, and the absence of brokers' fees;

the accuracy of Seller's other representations and warranties (disregarding materiality qualifications), except to the extent that all failures of such representations and warranties to be true and correct, in the aggregate, would not have a material adverse effect;

the accuracy of Purchaser's representations and warranties (disregarding materiality qualifications), except to the extent that all failure of such representations and warranties to be true and correct, in the aggregate, would not reasonably be expected to prevent or materially delay the ability of Purchaser to consummate the transactions contemplated by the Stock Purchase Agreement or the additional agreements to which it is a party;

compliance by Seller and Purchaser in all material respects with their respective covenants, obligations and undertakings included in the Stock Purchase Agreement;

expiration of waiting periods under the Hart-Scott-Rodino Act, without action taken to prevent consummation of the Sale;

no judgment, order or decree enjoining consummation of the Sale; and

delivery by Purchaser to Seller of an independent opinion supporting the conclusion that immediately following the closing, after giving effect to all of the transactions contemplated by the Stock Purchase Agreement and payment of all related fees and expenses, Purchaser and its subsidiaries (including PEM) will not (i) be insolvent, (ii) have unreasonably small capital for the operation of the businesses in which they are engaged or proposed to be engaged and (iii) have incurred debts, and are not expected to incur debts, including contingent and other liabilities, beyond its ability to pay them as they become due.

The date of closing will not be more than five business days following the later of the date on which (i) the foregoing closing conditions have been satisfied and (ii) the Company has delivered to Purchaser certain financial statements of PEM as required under the Stock Purchase Agreement. However, the closing will not occur until the later of the date that is (x) 20 business days after the mailing of this Information Statement to the Company's stockholders and (y) 45 calendar days after the date of the Stock Purchase Agreement.

### Survival and Indemnification

The covenants to be performed prior to closing, the representations and warranties of Seller and the representations and warranties of Purchaser will survive until the first anniversary of the closing of the Sale, except that certain specified representations and warranties of Seller and of Purchaser will survive until the expiration of the applicable statute of limitations.

The Company and Seller are jointly and severally obligated to indemnify Purchaser, Purchaser's subsidiaries and their respective officers, directors and employees in respect of damages or losses that arise from or relate to or are attributable to any of the following:

any misrepresentation or breach of a warranty contained in the Stock Purchase Agreement by the Company or Seller (disregarding materiality qualifications for indemnification purposes);



## Edgar Filing: PRIMEDIA INC - Form PRE 14C

any breach of any covenant or agreement to be performed prior to, on or after the closing on the part of the Company or Seller set forth in the Stock Purchase Agreement;

any liability or obligation to brokers retained by the Company or Seller in connection with the transactions contemplated by the Stock Purchase Agreement;

any payments owed to minority stockholders of Automotive.com pursuant to the Automotive.com Stockholders Agreement or the Automotive.com Stock Purchase Agreement, in each case, in respect of all dividend periods or calendar quarters ending prior to the dividend period or calendar quarter in which closing occurs; or

any indemnification payments by PEM or its subsidiaries pursuant to any disposition, transfer or other sale of any assets, businesses, publication or magazine of the Company or any of its subsidiaries consummated prior to the closing date.

The indemnification obligation of the Company and Seller on account of claims pursuant to the first bullet point above (except with respect to certain specified representations) is generally subject to (i) a \$12,500,000 deductible, (ii) a \$100,000,000 cap and (iii) the requirement that the claim be asserted in writing within one year after closing. Seller will not be liable for any indemnification claims for losses resulting from any breach of any representation, warranty, covenant or agreement to the extent such losses were finally included as a component in the working capital adjustment.

Purchaser is obligated to indemnify the Company, Seller, their subsidiaries and their respective officers, directors and employees in respect of damages or losses that arise from or relate to or are attributable to any of the following:

any misrepresentation or breach of a warranty contained in the Stock Purchase Agreement made by Purchaser (disregarding materiality qualifications for indemnification purposes);

any breach of any covenant or agreement to be performed prior to, on or after the closing on the part of Purchaser set forth in the Stock Purchase Agreement;

any liability or obligation to brokers retained by Purchaser in connection with the transactions contemplated by the Stock Purchase Agreement;

any obligation to any employee of PEM or any of its subsidiaries arising on or after the closing date;

any payments owed to minority stockholders of Automotive.com pursuant to the Automotive.com Stockholders Agreement or the Automotive.com Stock Purchase Agreement, in each case, in respect of the dividend period or fiscal quarter in which the closing occurs and all subsequent dividend periods or calendar quarters; or

any earn-out, additional purchase price or similar payment obligation in connection with any acquisition or purchase of any assets, businesses, publication or magazine of PEM and its subsidiaries consummated prior to the closing date.

The indemnification obligation of Purchaser on account of claims pursuant to the first bullet point above (except with respect to certain specified representations) is generally subject to (i) a \$12,500,000 deductible, (ii) a \$100,000,000 cap and (iii) the requirement that the claim be asserted in writing within one year after closing. Purchaser will not be liable for any indemnification claims for losses resulting from any breach of any representation, warranty, covenant or agreement to the extent such losses were finally included as a component in the working capital adjustment.

## **Tax Matters**

The Company and Seller are jointly and severally obligated to indemnify Purchaser, Purchaser's subsidiaries and their respective officers, directors and employees in respect of the following:

losses or damages with respect to any pre-closing tax period of PEM or any of its subsidiaries and with respect to the portion of any straddle period ending on the closing date;

losses or damages for taxes of the Company, Seller or certain affiliated entities as a result of filing a consolidated, combined or unitary tax return; and

any and all taxes of any person (other than PEM or any of its subsidiaries) imposed on PEM or any of its subsidiaries as a transferee or successor which taxes relate to any event or transaction occurring prior to the closing.

Purchaser is obligated to indemnify Seller and each of its officers, directors, employees, stockholders, agents and representatives for all liability for taxes of PEM or any of its subsidiaries for any taxable period ending after the closing date (except to the extent any such period begins prior to the closing date, in which case Purchaser's indemnity will cover only that portion of any taxes allocable to the period after the closing date).

Purchaser, on the one hand, and the Company and Seller, on the other hand, will join in making elections under Section 338(h)(10) of the Internal Revenue Code. The purchase price will be allocated among the assets of PEM and its subsidiaries. This allocation will be initially proposed by Purchaser, subject to Seller's ability to dispute particular items and the resolution of any remaining disputes by a neutral auditor.

## **Termination**

The Stock Purchase Agreement may be terminated and the transactions contemplated therein may be abandoned at any time prior to the closing date as follows:

by mutual written agreement of the parties;

by either party by written notice if the closing date shall not have occurred on or before the date that is 120 days following the date of the Stock Purchase Agreement (provided that if the closing has not occurred by such date solely as a result of the failure of PRIMEDIA to deliver to Purchaser certain required financial information, Purchaser may unilaterally extend the termination date by up to 30 days);

by Purchaser if the conditions to Purchaser's obligations to close have become incapable of fulfillment and have not been waived by Purchaser (and provided Purchaser is not in material breach of the Stock Purchase Agreement); or

by Seller if the conditions to Seller's obligations to close have become incapable of fulfillment and have not been waived by Seller (and provided Seller is not in material breach of the Stock Purchase Agreement).

## **Expenses and Transfer Taxes**

Purchaser and Seller will bear their own respective expenses incurred in connection with the negotiation and preparation of the Stock Purchase Agreement and any ancillary agreements, making any governmental filings (except that Purchaser will bear the filing fee payable pursuant to the Hart-Scott-Rodino Act) required to consummate the transactions contemplated by the Stock Purchase Agreement and the consummation and performance of the transactions contemplated by the Stock Purchase Agreement, and in connection with all obligations required to be performed by each of them under the Stock Purchase Agreement and the ancillary agreements except as may otherwise be provided in the Stock Purchase Agreement. Purchaser has agreed to pay all transfer taxes incurred in connection with this Agreement.



## ANCILLARY AGREEMENTS

### Transition Services Agreement

In order to facilitate the transfer of the businesses of PEM and its subsidiaries to Purchaser, the Company and Purchaser will enter into a transition services agreement (the "Transition Services Agreement") pursuant to which the Company will provide certain specified services to Purchaser on an interim basis following closing at specified fees. Under the Stock Purchase Agreement, the parties agreed to negotiate in good faith prior to closing specific services that the Company will provide to Purchaser. Purchaser may cancel any service provided pursuant to the Transition Services Agreement upon 30 days' prior written notice to the Company.

### Equity Commitment Letter

In connection with the Stock Purchase Agreement, Yucaipa delivered to Purchaser an equity commitment letter pursuant to which Yucaipa is obligated to purchase, and Purchaser is obligated to sell, an amount of Purchaser's securities of up to \$100 million if the closing conditions have been satisfied but Purchaser has been unable to obtain the financing contemplated by the Stock Purchase Agreement (or alternative financing), and Purchaser would be capable of consummating the financing (or alternative financing) if Yucaipa purchased such securities of Purchaser for cash. The terms of the securities to be purchased will be established by a committee of independent directors of Purchaser, but may not involve terms that would require a vote of the stockholders of Purchaser. The obligations of Purchaser and Yucaipa under the Equity Commitment Letter terminate at the earlier of the closing of the Sale or the termination of the Stock Purchase Agreement, except if Yucaipa or Purchaser is in material breach of the Equity Commitment Letter. Purchaser has agreed in the Equity Commitment Letter that it will not exercise its rights to terminate the Stock Purchase Agreement if Yucaipa or Purchaser is in material breach of the Equity Commitment Letter. The Company and Seller are third party beneficiaries of the Equity Commitment Letter and are entitled to exercise the rights under, and enforce the terms of, the Equity Commitment Letter.

A copy of the Equity Commitment Letter is attached hereto as Annex B and is incorporated in this Information Statement by reference. The foregoing description of the Equity Commitment Letter is qualified in its entirety by reference to the full text of the Equity Commitment Letter.

### Lock-up Agreement

Purchaser's largest stockholder, AEC Associates, LLC entered into the Lock-up Agreement with Purchaser whereby AEC Associates, LLC has agreed not to transfer any of Purchaser's common stock until the earlier of the closing of the Sale or the termination of the Stock Purchase Agreement. Yucaipa is affiliated with AEC Associates, LLC which holds approximately 34% of Purchaser's outstanding stock. The Company and Seller are third party beneficiaries of the Lock-up Agreement and are entitled to exercise the rights under, and enforce the terms of, the Lock-up Agreement.

A copy of the Lock-up Agreement is attached to this Information Statement as Annex C and is incorporated herein by reference. The foregoing description of the Lock-up Agreement is qualified in its entirety by reference to the full text of the Lock-up Agreement.



## AMENDMENT TO EFFECT A REVERSE STOCK SPLIT

### The Amendment

Upon filing and effectiveness of the Certificate of Amendment to the Certificate of Incorporation of the Company, the form of which is attached hereto as Annex E (the "Certificate of Amendment"), each six shares of common stock of the Company, par value \$0.01 per share, issued and outstanding immediately prior to such effective time shall be, without action of the holder thereof, automatically reclassified and converted into one share of common stock, par value \$0.01 per share of the Company (the "Reverse Stock Split"). The Company will pay cash in lieu of fractional shares. The effectiveness of the amendment set forth on the Certificate of Amendment (the "Amendment") (including the timing thereof) or the abandonment of the Amendment will be determined by the Board of Directors of the Company in its discretion without further action by the stockholders of the Company, and any such action by the Board of Directors with respect to the Amendment may be taken before or after closing of the Sale.

### Purpose of the Reverse Stock Split

The primary purpose of the Reverse Stock Split is to reduce the number of outstanding shares of common stock and increase the market value per share of the remaining outstanding shares so as to:

improve the level and stability of the common stock trading price;

make our common stock a more attractive investment to institutional investors; and

reduce the relatively high transaction costs and commissions incurred by our stockholders due to our currently low per share trading price and high number of shares outstanding.

The closing price of the common stock on June 21 was \$2.85 per share.

### Potential Risks of the Reverse Stock Split

The effect of the Reverse Stock Split on the market price for the Company's common stock cannot be predicted. There can be no assurance that the Company's common stock will continue to trade at least in proportion to the reduction in the number of outstanding shares resulting from the Reverse Stock Split or that the market price of the post-split common stock can be maintained. The market price of the Company's common stock will also be based on its financial performance, market conditions, the market perception of its future prospects and the Company's industry as a whole, as well as other factors, many of which are unrelated to the number of shares outstanding.

### Principal Effects of the Reverse Stock Split

#### *General*

A reverse stock split is a reduction in the number of outstanding shares of a class of a company's capital stock, which may be accomplished by the Company, in this case, by reclassifying and converting all outstanding shares of our common stock into a proportionately fewer number of shares of common stock. For example, upon implementation of the Reverse Stock Split, a stockholder holding 3,000 shares of our common stock before the Reverse Stock Split would hold 500 shares of our common stock after the Reverse Stock Split. This action would also result in a relative increase in the available number of authorized but unissued shares of our common stock (in the instant example, adding 2,500 shares to the number of unissued shares available for issuance), because the number of shares authorized for issuance is otherwise unchanged by the Reverse Stock Split. Each stockholder's proportionate ownership of the issued and outstanding shares of our common stock would remain the same, except for minor changes that may result from cash payments in lieu of fractional shares of our common stock, which are described below. Outstanding shares of new common stock resulting from the Reverse Stock Split will remain fully paid and non-assessable.

***Effectiveness of the Reverse Stock Split***

The Reverse Stock Split will become effective after the filing with the Secretary of State of the State of Delaware and effectiveness of the Certificate of Amendment (the "Amendment Effective Time"). The effectiveness of the Amendment (including the timing thereof) or the abandonment of the Amendment will be determined by the Board of Directors of the Company in its discretion without further action by the stockholders of the Company, and any such action by the Board of Directors with respect to the Amendment may be taken before or after closing of the Sale.

***Cash Payment in Lieu of Fractional Shares***

No fractional shares of common stock will be issued in connection with the Reverse Stock Split. If as a result of the Reverse Stock Split, a stockholder would otherwise hold a fractional share because their pre-Reverse Stock Split share holdings were not evenly divisible by six, the stockholder, in lieu of the issuance of a certificate for a fractional share, would be entitled to receive a payment in cash. For example, a stockholder holding 3,003 shares of our common stock before the Reverse Stock Split would hold 500 shares of our common stock after the Reverse Stock Split and would be entitled to a cash payment in respect of the remaining 0.5 fractional interest in lieu of receiving a fractional share.

The Board of Directors of the Company will arrange for our transfer agent, The Bank of New York, to aggregate and sell all fractional interests that result from the Reverse Stock Split on the open market at prevailing market prices at the time of such sale and distribute the proceeds of such sales to each holder proportionate to their respective fractional interests. The Company will pay any commissions and fees to effect the foregoing sales. The owner of a resulting fractional interest will have only a right to receive the cash payment therefor and not any voting, dividend, or other right with respect to that interest. We expect that it may take several days for our transfer agent to sell all of the aggregated fractional interests of common stock. After completion of such sale, stockholders otherwise entitled to receive a fractional share will receive a cash payment from our transfer agent in an amount equal to their pro rata share of the total net proceeds of that sale. The proceeds of such sale will be subject to federal income tax, as further described below in "Tax Consequences of the Reverse Stock Split." In addition, such stockholders will not be entitled to receive interest for the period of time between the effective time of the Reverse Stock Split and the date they receive payment for the cashed-out fractional interests.

Neither the Company nor The Bank of New York assumes any responsibility with respect to the sales price or proceeds received in respect of aggregated fractional interests sold in the market. Stockholders should be aware that, under the escheat laws of the various jurisdictions where stockholders reside, sums due for fractional interests that are not timely claimed after the effective time may be required to be paid to the designated agent for each such jurisdiction. Thereafter, stockholders otherwise entitled to receive such funds may have to seek to obtain them directly from the state to which they were paid.

***Accounting Matters***

The par value of the common stock will remain at \$0.01 per share following the Reverse Stock Split, and the number of shares of common stock outstanding will be reduced. As a consequence, the aggregate par value of the outstanding common stock will be reduced, while the aggregate capital in excess of par value attributable to the outstanding common stock for statutory and accounting purposes will be correspondingly increased. The Reverse Stock Split will not affect the Company's total stockholders' equity. All share and per share information would be retroactively adjusted following the Amendment Effective Time to reflect the Reverse Stock Split for all periods presented in future filings.

*Effect on Authorized and Outstanding Shares*

As a result of the Reverse Stock Split, the number of shares of common stock issued and outstanding will be reduced to the approximate number of shares of common stock issued and outstanding immediately prior to the effectiveness of the Reverse Stock Split divided by six. Based on the stockholdings at June 21, 2007, there would be approximately 44,163,611 shares of common stock issued and outstanding following the Reverse Stock Split, and approximately 1,407,693 shares of common stock held by the Company as treasury shares.

The number of shares subject to our outstanding common stock options will automatically be reduced in the same ratio as the 1-for-6 Reverse Stock Split ratio and the per share exercise price of those options will be proportionally increased in the same ratio as the Reverse Stock Split ratio. However, if the number of shares resulting from the Reverse Stock Split would otherwise include a fractional share, the fractional share will be disregarded and the number of shares will be rounded down to the nearest whole share. For example, if an optionee holds options to purchase 601 shares at an exercise price of \$1.00 per share, on the effectiveness of the Reverse Stock Split, the number of shares subject to that option would be reduced to 100 shares with the fractional share disregarded and the exercise price would be proportionately increased to \$6.00 per share.

Outstanding restricted stock awards would be adjusted in the same manner as other outstanding shares of our common stock. As a result of the Reverse Stock Split, the number of shares authorized and reserved for issuance under our 1992 Stock Purchase and Option Plan, as amended will be reduced proportionately.

There will be no change to the number of authorized shares of common stock or preferred stock as a result of the Reverse Stock Split.

With the exception of the number of shares issued and outstanding, the rights and preferences of the shares of common stock prior and subsequent to the Reverse Stock Split will remain the same. It is not anticipated that the Company's financial condition, the percentage ownership of management, the number of stockholders, or any aspect of the Company's business would materially change, solely as a result of the Reverse Stock Split. The Reverse Stock Split will be effectuated simultaneously for all of the Company's common stock. The Reverse Stock Split will affect all of our stockholders uniformly and will not affect any stockholder's percentage ownership interests in the Company or proportionate voting power except for minor changes that may result from cash payments in lieu of fractional shares of our common stock.

As a result of the Reverse Stock Split, there will be a reduction in the number of shares of common stock issued and outstanding and an associated increase in the number of authorized shares that would be unissued and available for future issuance after the Reverse Stock Split. The increase in available shares could be used for any proper corporate purpose approved by the Board of Directors, including, among other purposes, future financing transactions. Stockholders should note that certain disadvantages may result from this increase in available shares. The Company will have the authority to issue a greater number of shares of common stock following the Reverse Stock Split without the need to obtain stockholder approval to authorize additional shares, up to the maximum number of shares authorized by the Company's Certificate of Incorporation. Any such additional issuance may have the effect of significantly reducing the interest of the existing stockholders of the Company with respect to earnings per share, voting, liquidation value, and book and market value per share.

The Company will continue to be subject to the periodic reporting requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The Company's common stock is currently registered under Section 12(g) of the Exchange Act and as a result is subject to periodic reporting and other requirements. The proposed Reverse Stock Split will not affect the registration of the Company's common stock under the Exchange Act.

*Tax Consequences of the Reverse Stock Split*

The following is a general discussion of certain material U.S. federal income tax consequences of the Reverse Stock Split to U.S. holders of our common stock. We base this summary on the provisions of the Internal Revenue Code, applicable current and proposed U.S. Treasury Regulations, judicial authority, and administrative rulings and practice, all of which are subject to change, possibly on a retroactive basis.

For purposes of this discussion, we use the term "U.S. holder" to mean:

a citizen or individual resident of the U.S. for U.S. federal income tax purposes;

a corporation, or other entity taxable as a corporation for U.S. federal income tax purposes, created or organized in or under the laws of the U.S. or any state or the District of Columbia;

a trust if it (i) is subject to the primary supervision of a court within the U.S. and one or more U.S. persons have the authority to control all substantial decisions of the trust or (ii) has a valid election in effect under applicable U.S. Treasury Regulations to be treated as a U.S. person; or

an estate the income of which is subject to U.S. federal income tax regardless of its source.

This discussion assumes that a U.S. holder holds the shares of our common stock as a capital asset within the meaning of Section 1221 of the Internal Revenue Code (generally, property held for investment). This discussion does not address non-U.S. holders and does not address all aspects of U.S. federal income tax that may be relevant to a holder in light of its particular circumstances, or that may apply to a holder that is subject to special treatment under the U.S. federal income tax laws (including, for example, insurance companies, dealers in securities or foreign currencies, traders in securities who elect the mark-to-market method of accounting for their securities, stockholders subject to the alternative minimum tax, persons that have a functional currency other than the U.S. dollar, tax-exempt organizations, financial institutions, mutual funds, partnerships or other pass through entities for U.S. federal income tax purposes, stockholders who hold shares of our common stock as part of a hedge, straddle, constructive sale or conversion transaction, or stockholders who acquired their shares of our common stock through the exercise of employee stock options or other compensation arrangements). In addition, the discussion does not address any tax considerations under state, local or foreign laws or U.S. federal laws other than those pertaining to the U.S. federal income tax that may apply to holders. **Holders are urged to consult their own tax advisors to determine the particular tax consequences, including the application and effect of any state, local or foreign income and other tax laws, of the receipt of cash in exchange for our common stock pursuant to the Reverse Stock Split.**

If a partnership holds our common stock, the tax treatment of a partner will generally depend on the status of the partners and the activities of the partnership. If you are a partner of a partnership holding our common stock, you should consult your tax advisors.

The receipt of the common stock following the effective date of the Reverse Stock Split, solely in exchange for the common stock held prior to the Reverse Stock Split, will not generally result in recognition of gain or loss to the stockholders, except to the extent of any cash received in lieu of a fractional share. The aggregate tax basis of the post-Reverse Stock Split shares received in the Reverse Stock Split (including any fraction of a new share deemed to have been received) will be the same as the stockholder's aggregate tax basis in the pre-Reverse Stock Split shares exchanged therefor, and the holding period of the post-Reverse Stock Split shares received in the Reverse Stock Split will include the holding period of the pre-Reverse Stock Split shares surrendered therein.

In general, stockholders who receive cash in exchange for their fractional share interests in the post-Reverse Stock Split shares as a result of the Reverse Stock Split will be deemed for federal income tax purposes to have first received the fractional share interests and then to have had those fractional share interests redeemed for cash. The receipt of cash instead of a fractional share of the common stock by a U.S. holder of the common stock will generally result in a taxable gain or loss

equal to the difference between the amount of cash received and the holder's adjusted federal income tax basis in the fractional share. Gain or loss generally will be a capital gain or loss. Capital gain of a non-corporate U.S. holder, upon disposition of the common stock held for more than one year generally is eligible for reduced rates of taxation. Deductibility of capital loss is subject to limitations.

No gain or loss will be recognized by the Company as a result of the Reverse Stock Split. The Company's views regarding the tax consequences of the Reverse Stock Split are not binding upon the Internal Revenue Service or the courts, and there can be no assurance that the Internal Revenue Service or the courts would accept the positions expressed above.

Under the Internal Revenue Code, a U.S. holder of our common stock may be subject, under certain circumstances, to information reporting on the cash received in the transaction unless such U.S. holder is a corporation or other exempt recipient. Backup withholding will also apply (currently at a rate of 28%) with respect to the amount of cash received, unless a U.S. holder provides proof of an applicable exemption or a correct taxpayer identification number, and otherwise complies with the applicable requirements of the backup withholding rules. Backup withholding is not an additional tax and any amounts withheld under the backup withholding rules may be refunded or credited against a U.S. holder's U.S. federal income tax liability, if any, provided that such U.S. holder furnishes the required information to the Internal Revenue Service in a timely manner.

## Stock Certificates

### *Stockholders Holding Certificated Shares*

Following the effective time of the Reverse Stock Split (i.e., the Amendment Effective Time), the stock certificates you now hold will evidence your ownership in that number of whole shares of post-Reverse Stock Split common stock into which the shares of pre-Reverse Stock Split common stock shall have been reclassified as a result of the Reverse Stock Split. However, pursuant to applicable rules of the New York Stock Exchange, your old stock certificates cannot be used on either transfers or deliveries made on the New York Stock Exchange; thus, you must exchange your old stock certificates for new stock certificate in order to do so.

The Company's transfer agent, The Bank of New York, will act as exchange agent for purposes of implementing the exchange of stock certificates and providing you with your cash payment in lieu of fractional shares. As soon as practicable after the Amendment Effective Time, a letter of transmittal will be sent to stockholders of record as of the Amendment Effective Time for purposes of claiming your cash payment in lieu of fractional shares, if applicable, and surrendering to the transfer agent certificates representing shares of pre-Reverse Stock Split common stock in exchange for certificates representing shares of post-Reverse Stock Split common stock in accordance with the procedures set forth in the letter of transmittal. No new certificates will be issued to a stockholder until such stockholder has surrendered such stockholder's outstanding certificate(s), together with the properly completed and executed letter of transmittal, to the transfer agent. **STOCKHOLDERS SHOULD NOT DESTROY ANY STOCK CERTIFICATE(S) AND SHOULD NOT SUBMIT ANY CERTIFICATE(S) UNTIL REQUESTED TO DO SO.**

### *Stockholders with Book-Entry Shares*

Some stockholders hold some or all of their shares electronically in book-entry form, either through a representative broker-dealer or through the direct registration system for securities. If you hold registered shares in book-entry form, you do not need to take any action to receive your post-Reverse Stock Split shares or your cash payment in lieu of any fractional share interest, if applicable. If you are entitled to post-Reverse Stock Split Shares, a transaction statement will automatically be sent to your address of record by either your broker (if you hold shares through a broker) or the transfer agent indicating the number of shares you hold.

## Approval of the Amendments

Under the DGCL, the Amendment must be approved by the Board of Directors of the Company and at least a majority of the holders of outstanding common stock. After careful consideration, on June 21, 2007, the Board of Directors of the Company unanimously approved the Amendment, determined that the Amendment and the actions to be effected thereby are in the best interests of the Company and the Company's stockholders and recommended that our stockholders vote to approve the Amendment. On June 21, 2007, stockholders of the Company holding in excess of a majority of the outstanding shares of the Company's common stock, constituting the sole class of voting securities of the Company, executed and delivered to the Company their consent approving the Amendment. The stockholder consent is sufficient under Delaware law to approve the Amendment without the requirement of any other stockholder vote. No further action of the stockholders is required to approve the Amendment.

The Board of Directors of the Company may, in its discretion, determine effectiveness of the Amendment (including the timing thereof) or the abandonment of the Amendment without further action by the stockholders of the Company, and any such action by the Board of Directors with respect to the Amendment may be taken before or after closing of the Sale.

The table below sets forth the actual shares of common stock over which the parties executing the written consent have voting authority. As of June 21, 2007, the record date for the adoption of the Amendment, there were outstanding 264,981,669 shares of common stock of the Company.

Name	Number of Shares Owned	Percentage
KKR Associates, L.P.(1)	106,886,265	40.34%
KKR 1996 GP LLC(2)	57,060,039	21.53%
<b>TOTAL</b>	<b>163,946,304</b>	<b>61.87%</b>

(1)

Shares of common stock shown as owned by KKR Associates, L.P. are owned of record by MA Associates, L.P., FP Associates, L.P., Magazine Associates, L.P., Publishing Associates, L.P., Channel One Associates, L.P., and KKR Partners II, L.P., of which KKR Associates, L.P. is the general partner and as to which it possesses sole voting and investment power.

(2)

Of the shares shown as owned by KKR 1996 GP LLC, 49,190,039 shares are represented by shares of the Company's common stock and 7,870,000 shares are represented by warrants to purchase 7,870,000 shares of the Company's common stock which are currently exercisable by the holder. The shares of common stock and the warrants to purchase common stock shown as owned by KKR 1996 GP LLC are owned of record by KKR 1996 Fund L.P., of which KKR Associates 1996 L.P. is the sole general partner. KKR 1996 GP LLC is the sole general partner of KKR Associates 1996 L.P. and possesses sole voting and investment power.

**PRIMEDIA Inc. and Subsidiaries**  
**Unaudited Pro Forma Condensed Consolidated Financial Information**  
**(amounts in thousands)**

In May 2007, PRIMEDIA and subsidiaries entered into an agreement to sell PEM, for \$1,177,900 to Source Interlink, subject to certain post-closing adjustments. The sale will result in an estimated gain of \$446,512, net of tax. The sale is expected to be completed during the third quarter of 2007. As a result of the sale, the Company expects to have approximately \$1,150,000 in net proceeds after payment of fees and expenses, and before the payment of any cash taxes in connection with the gain. As of the date of this Information Statement, the Company intends to use such proceeds to reduce the Company's indebtedness by paying down funds outstanding under the Company's credit facility and tendering for (or redeeming) each of the Company's Senior Floating Rate Notes due 2010 and 8<sup>7</sup>/<sub>8</sub>% Senior Notes due 2013 and tendering 8% Senior Notes due 2011. The estimated annual reduction in interest expense will be approximately \$96,000, which has not been reflected in the pro forma financial information. Although the parties agreed to make an election to treat the sale of PEM as an asset sale under Section 338(h)(10) of the Internal Revenue Code, the Company expects to have significant net operating loss carry-forwards following the consummation of the sale. In addition, as of the date of this Information Statement, the Company intends to effect a Reverse Stock Split, whereby each six shares of common stock of the Company, par value \$0.01 per share, issued and outstanding immediately prior to such effective time shall be, without action of the holder thereof, automatically reclassified and converted into one share of common stock, par value \$0.01 per share of the Company. The Company will pay cash in lieu of fractional shares. The effectiveness of the Amendment (including the timing thereof) or the abandonment of the Amendment will be determined by the Board of Directors of the Company in its discretion without further action by the stockholders of the Company, and any such action by the Board of Directors with respect to the Amendment may be taken before or after closing of the Sale. The effect of this proposed Reverse Stock Split has not been reflected in the pro forma financial information.

The following unaudited pro forma condensed consolidated financial information has been prepared based on the historical consolidated financial statements of PRIMEDIA after giving effect to the sale of PEM, and the assumptions and adjustments described in the accompanying notes to the unaudited pro forma condensed consolidated financial information.

PRIMEDIA's unaudited pro forma statements of condensed consolidated operations give effect to the disposition of PEM as if it had occurred on January 1, 2004, and the unaudited pro forma condensed consolidated balance sheet gives effect to the disposition of PEM as if it had occurred on March 31, 2007. The unaudited pro forma statements of condensed consolidated operations were derived by adjusting the historical statements of consolidated operations of PRIMEDIA for the removal of revenues and expenses associated with PEM and the pro forma adjustments described in the notes to the unaudited pro forma condensed consolidated financial information.

The unaudited pro forma condensed consolidated financial information, including the notes thereto, is qualified in its entirety by reference to, and should be read in conjunction with, the audited historical consolidated financial statements and notes thereto included in PRIMEDIA's Annual Report on Form 10-K for the year ended December 31, 2006 and unaudited Quarterly Report on Form 10-Q for the quarter ended March 31, 2007.

The unaudited pro forma condensed consolidated financial information is provided for illustrative purposes only and is not necessarily indicative of the consolidated financial position or results of consolidated operations that would have actually been reported had the disposition occurred on January 1, 2004 for statements of condensed consolidated operations purposes and as of March 31, 2007 for condensed consolidated balance sheet purposes, nor is it necessarily indicative of PRIMEDIA's future consolidated financial position or consolidated results of operations. The unaudited pro forma condensed consolidated financial information is based upon estimates and assumptions. These estimates and assumptions are preliminary and have been made solely for the purposes of developing this pro forma information.

**PRIMEDIA Inc. and Subsidiaries**  
**Unaudited Pro Forma Condensed Consolidated Balance Sheet**  
**March 31, 2007**  
(in thousands except share and per share amounts)

	Historical PRIMEDIA Inc.	Historical PEM	Pro Forma Adjustments	Pro Forma PRIMEDIA Inc.
		(f)		
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 145,111	\$	\$ 1,177,900(a)	\$ 1,323,011
Accounts receivable, net	27,879			27,879
Inventories	667			667
Prepaid expenses and other	18,348			18,348
Assets of businesses held for sale	905,836	882,340		23,496
	<u>1,097,841</u>	<u>882,340</u>	<u>1,177,900</u>	<u>1,393,401</u>
Total current assets	1,097,841	882,340	1,177,900	1,393,401
Property and equipment, net	20,288			20,288
Intangible assets, net	25,714			25,714
Goodwill	134,098			134,098
Other non-current assets	16,466			16,466
	<u>1,294,407</u>	<u>882,340</u>	<u>1,177,900</u>	<u>1,589,967</u>
Total Assets	\$ 1,294,407	\$ 882,340	\$ 1,177,900	\$ 1,589,967
<b>LIABILITIES AND SHAREHOLDERS' DEFICIENCY</b>				
Current liabilities:				
Accounts payable	\$ 12,238	\$	\$	\$ 12,238
Accrued expenses and other	86,391		42,252(b)	149,691
			21,048(c)	
Deferred revenues	2,014			2,014
Current maturities of long-term debt	5,171			5,171
Liabilities of businesses held for sale	229,291	214,252		15,039
	<u>335,105</u>	<u>214,252</u>	<u>63,300</u>	<u>184,153</u>
Total current liabilities	335,105	214,252	63,300	184,153
Long-term debt	1,311,915			1,311,915
Deferred revenues	12,325			12,325
Deferred income taxes	11,697			11,697
Other non-current liabilities	57,727			57,727
	<u>1,728,769</u>	<u>214,252</u>	<u>63,300</u>	<u>1,577,817</u>
Total Liabilities	1,728,769	214,252	63,300	1,577,817
Commitments and contingencies				
Shareholders' deficiency:				
Common stock (\$.01 par value, 350,000,000 shares authorized at March 31, 2007; 272,964,404 shares issued and 264,521,995 shares outstanding at March 31, 2007)	2,730			2,730
Additional paid-in capital	2,367,285			2,367,285
Accumulated deficit	(2,728,500)	668,088	446,512(d)	(2,281,988)
			668,088(e)	



Edgar Filing: PRIMEDIA INC - Form PRE 14C

	<b>Historical PRIMEDIA Inc.</b>	<b>Historical PEM</b>	<b>Pro Forma Adjustments</b>	<b>Pro Forma PRIMEDIA Inc.</b>
Common stock in treasury, at cost (8,442,409 shares at March 31, 2007)	(75,877)			(75,877)
<b>Total Shareholders' Deficiency</b>	<b>(434,362)</b>	<b>668,088</b>	<b>1,114,600</b>	<b>12,150</b>
Total Liabilities and Shareholders' Deficiency	\$ 1,294,407	\$ 882,340	\$ 1,177,900	\$ 1,589,967

See accompanying notes to unaudited pro forma condensed consolidated financial information.

**PRIMEDIA Inc. and Subsidiaries**  
**Unaudited Condensed Consolidated Statement of Operations**  
**For the Three Months Ended March 31, 2007**  
(in thousands except share and per share amounts)

	<u>Historical PRIMEDIA Inc.</u>
	(g)
Revenues, net:	
Advertising	\$ 66,281
Other	13,763
	<u>80,044</u>
Total revenues, net	80,044
Operating costs and expenses:	
Cost of goods sold (exclusive of depreciation and amortization of property and equipment)	8,600
Marketing and selling	22,398
Distribution and circulation	20,190
Editorial	1,766
Other general expenses	7,689
Corporate administrative expenses (including non-cash compensation)	6,897
Depreciation and amortization of property and equipment	3,113
Amortization of intangible assets and other	736
Provision for restructuring costs	1,589
	<u>7,066</u>
Operating income	7,066
Other income (expense):	
Interest expense	(29,080)
Amortization of deferred financing costs	(584)
Other income, net	1,885
	<u>(27,779)</u>
Loss from continuing operations before benefit for income taxes	(20,713)
Benefit for income taxes	6,457
	<u>(14,256)</u>
Loss from continuing operations	\$ (14,256)
	<u>(0.05)</u>
Basic and diluted loss per common share from continuing operations	\$ (0.05)
	<u>264,521,328</u>
Basic and diluted common shares outstanding (weighted average)	264,521,328

See accompanying notes to unaudited pro forma condensed consolidated financial information.

**PRIMEDIA Inc. and Subsidiaries**  
**Unaudited Pro Forma Condensed Consolidated Statement of Operations**  
**For the Year Ended December 31, 2006**  
(in thousands except share and per share amounts)

	<u>Historical PRIMEDIA Inc.</u>	<u>Historical PEM</u>	<u>Pro Forma PRIMEDIA Inc.</u>
		(j)	
<b>Revenues, net:</b>			
Advertising	\$ 561,195	\$ 292,629	\$ 268,566
Circulation	163,721	163,721	
Other	124,393	68,438	55,955
	<u>849,309</u>	<u>524,788</u>	<u>324,521</u>
<b>Operating costs and expenses:</b>			
Cost of goods sold (exclusive of depreciation and amortization of property and equipment)	185,769	149,109	36,660
Marketing and selling	153,414	67,049	86,365
Distribution, circulation and fulfillment	161,391	80,068	81,323
Editorial	57,581	50,144	7,437
Other general expenses	112,517	74,815 (h)	37,702
Corporate administrative expenses (including non-cash compensation)	32,087		32,087
Depreciation and amortization of property and equipment	26,105	13,640	12,465
Amortization of intangible assets and other	10,757	7,464	3,293
Provision for restructuring costs	2,250	944	1,306
(Gain) loss on sale of businesses and other, net	(299)	(326)	27
	<u>107,737</u>	<u>81,881</u>	<u>25,856</u>
<b>Operating income</b>	<b>107,737</b>	<b>81,881</b>	<b>25,856</b>
<b>Other income (expense):</b>			
Interest expense	(125,546)	1,394	(126,940)
Amortization of deferred financing costs	(2,567)		(2,567)
Other expense, net	(1,947)	(280)	(1,667)
	<u>(129,960)</u>	<u>1,114</u>	<u>(130,474)</u>
<b>Income (loss) from continuing operations before provision for income taxes</b>	<b>(22,323)</b>	<b>82,995</b>	<b>(105,318)</b>
<b>(Provision) benefit for income taxes</b>	<b>(5,344)</b>	<b>(39,512)(i)</b>	<b>34,168</b>
	<u>(27,667)</u>	<u>43,483</u>	<u>(71,150)</u>
<b>Income (loss) from continuing operations</b>	<b>\$ (27,667)</b>	<b>\$ 43,483</b>	<b>\$ (71,150)</b>
<b>Basic and diluted loss per common share from continuing operations</b>	<b>\$ (0.10)</b>		<b>\$ (0.27)</b>
<b>Basic and diluted common shares outstanding (weighted average)</b>	<b>263,985,991</b>		<b>263,985,991</b>

See accompanying notes to unaudited pro forma condensed consolidated financial information.

**PRIMEDIA Inc. and Subsidiaries**  
**Unaudited Pro Forma Condensed Consolidated Statement of Operations**  
**For the Year Ended December 31, 2005**  
(in thousands except share and per share amounts)

	<u>Historical PRIMEDIA Inc.</u>	<u>Historical PEM</u>	<u>Adjusted Historical PRIMEDIA Inc.</u>
		(j)	
<b>Revenues, net:</b>			
Advertising	\$ 557,690	\$ 296,785	\$ 260,905
Circulation	164,125	164,125	
Other	99,913	43,683	56,230
	<u>821,728</u>	<u>504,593</u>	<u>317,135</u>
<b>Operating costs and expenses:</b>			
Cost of goods sold (exclusive of depreciation and amortization of property and equipment)	168,717	131,603	37,114
Marketing and selling	153,174	69,510	83,664
Distribution, circulation and fulfillment	159,740	75,070	84,670
Editorial	57,612	50,392	7,220
Other general expenses	109,460	72,503 (h)	36,957
Corporate administrative expenses (including non-cash compensation)	34,098		34,098
Depreciation and amortization of property and equipment	23,706	12,382	11,324
Amortization of intangible assets and other	5,822	2,693	3,129
Severance related to separated senior executives	1,775		1,775
Provision for restructuring costs	1,815	2,259	(444)
Gain on sale of businesses and other, net	(209)		(209)
	<u>106,018</u>	<u>88,181</u>	<u>17,837</u>
<b>Other income (expense):</b>			
Interest expense	(130,349)	(1,369)	(128,980)
Interest on shares subject to mandatory redemption	(24,203)		(24,203)
Amortization of deferred financing costs	(4,291)		(4,291)
Other income (expense), net	(13,519)	286	(13,805)
	<u>(172,362)</u>	<u>(1,083)</u>	<u>(146,079)</u>
Income (loss) from continuing operations before provision for income taxes	(66,344)	87,098	(153,442)
(Provision) benefit for income taxes	(426)	(42,797)(i)	42,371
	<u>(66,770)</u>	<u>44,301</u>	<u>(111,071)</u>
<b>Basic and diluted loss per comon share from continuing operations</b>			
	\$ (0.25)		\$ (0.42)
<b>Basic and diluted common shares outstanding (weighted average)</b>			
	263,031,543		263,031,543

Edgar Filing: PRIMEDIA INC - Form PRE 14C

<b>Historical PRIMEDIA Inc.</b>	<b>Historical PEM</b>	<b>Adjusted Historical PRIMEDIA Inc.</b>
<hr/>	<hr/>	<hr/>
<hr/>		<hr/>

See accompanying notes to unaudited pro forma condensed consolidated financial information.

**PRIMEDIA Inc. and Subsidiaries**  
**Unaudited Pro Forma Condensed Consolidated Statement of Operations**  
**For the Year Ended December 31, 2004**  
(in thousands except share and per share amounts)

	Historical PRIMEDIA Inc.	Historical PEM	Adjusted Historical PRIMEDIA Inc.
		(j)	
<b>Revenues, net:</b>			
Advertising	\$ 542,656	\$ 303,406	\$ 239,250
Circulation	175,778	175,778	
Other	85,120	37,168	47,952
<b>Total revenues, net</b>	<b>803,554</b>	<b>516,352</b>	<b>287,202</b>
<b>Operating costs and expenses:</b>			
Cost of goods sold (exclusive of depreciation and amortization of property and equipment)	162,462	130,588	31,874
Marketing and selling	155,676	84,555	71,121
Distribution, circulation and fulfillment	148,619	77,830	70,789
Editorial	56,276	50,540	5,736
Other general expenses	91,571	57,158 (h)	34,413
Corporate administrative expenses (including non-cash compensation)	34,157		34,157
Depreciation and amortization of property and equipment	24,186	12,878	11,308
Amortization of intangible assets and other	6,045	2,871	3,174
Severance related to separated senior executives (including non-cash compensation)	658		658
Provision for restructuring costs	8,176	2,969	5,207
Provision for unclaimed property	2,811	2,748	63
(Gain) loss on sale of businesses and other, net	(965)	(1,039)	74
<b>Operating income</b>	<b>113,882</b>	<b>95,254</b>	<b>18,628</b>
<b>Other income (expense):</b>			
Interest expense	(123,098)	(2,592)	(120,506)
Interest on shares subject to mandatory redemption	(43,780)		(43,780)
Amortization of deferred financing costs	(4,986)		(4,986)
Other income (expense), net	811	(205)	1,016
<b>Income (loss) from continuing operations before provision for income taxes</b>	<b>(57,171)</b>	<b>92,457</b>	<b>(149,628)</b>
(Provision) benefit for income taxes	(7,713)	(46,155)(i)	38,442
<b>Income (loss) from continuing operations</b>	<b>(64,884)</b>	<b>46,302</b>	<b>(111,186)</b>
Preferred stock dividends	(13,505)		(13,505)
<b>Income (loss) applicable to common shareholders</b>	<b>\$ (78,389)</b>	<b>\$ 46,302</b>	<b>(124,691)</b>

Edgar Filing: PRIMEDIA INC - Form PRE 14C

	<u>Historical PRIMEDIA Inc.</u>	<u>Historical PEM</u>	<u>Adjusted Historical PRIMEDIA Inc.</u>
Basic and diluted loss per common share from continuing operations	\$ (0.30)		\$ (0.48)
Basic and diluted common shares outstanding (weighted average)	260,488,000		260,488,000

See accompanying notes to unaudited pro forma condensed consolidated financial information.

**PRIMEDIA Inc. and Subsidiaries**

**Notes to Unaudited Pro Forma Condensed Consolidated Financial Information**

(amounts in thousands)

**Note 1. Basis of Pro Forma Presentation**

The unaudited pro forma condensed consolidated financial information included herein has been prepared pursuant to the rules and regulations of the United States Securities and Exchange Commission.

The unaudited pro forma condensed consolidated financial information of PRIMEDIA has been prepared based on the historical balance sheets of PRIMEDIA and PEM as of March 31, 2007 and the historical statements of operations of PRIMEDIA and PEM for the three months ended March 31, 2007 and the historical statements of operations of PRIMEDIA and PEM for each of the three years in the period ended December 31, 2006, after giving effect to the adjustments and assumptions described below.

PRIMEDIA employs accounting policies that are in accordance with accounting principles generally accepted in the United States of America. In management's opinion, all material adjustments necessary to reflect fairly the pro forma financial position and unaudited pro forma results of operations of PRIMEDIA have been made.

The ongoing activity presented in this unaudited pro forma consolidated financial information represents PRIMEDIA's assets, liabilities, revenues and expenses after giving effect to the divestiture of PEM.

**Note 2. Disposition of PEM**

In May 2007, PRIMEDIA entered into an agreement to sell PEM for \$1,177,900 to Source Interlink Companies, Inc., subject to certain post-closing adjustments. The sale will result in an estimated gain of \$446,512, net of tax. The sale is expected to be completed during the third quarter of 2007. As a result of the sale, the Company expects to have approximately \$1,150,000 in net proceeds after payment of fees and expenses, and before the payment of any cash taxes in connection with the gain. As of the date of this Information Statement, the Company intends to use such proceeds to reduce the Company's indebtedness by paying down funds outstanding under the Company's credit facility and tendering for (or redeeming) each of the Company's Senior Floating Rate Notes due 2010 and 8<sup>7</sup>/<sub>8</sub>% Senior Notes due 2013, and tendering 8% Senior Notes due 2011. The estimated annual reduction in interest expense will be approximately \$96,000 which has not been reflected in the pro forma financial information. Although the parties agreed to make an election to treat the sale of PEM as an asset sale under Section 338(h)(10) of the Internal Revenue Code, the Company expects to have significant net operating loss carry-forwards following the consummation of the sale. In addition, as of the date of this Information Statement, the Company intends to effect a Reverse Stock Split, whereby each six shares of common stock of the Company, par value \$0.01 per share, issued and outstanding immediately prior to such effective time shall be, without action of the holder thereof, automatically reclassified and converted into one share of common stock, par value \$0.01 per share of the Company. The Company will pay cash in lieu of fractional shares. The effectiveness of the Amendment (including the timing thereof) or the abandonment of the Amendment will be determined by the Board of Directors of the Company in its discretion without further action by the stockholders of the Company, and any such action by the Board of Directors with respect to the Amendment may be taken before or after closing of the Sale. The effect of this proposed Reverse Stock Split has not been reflected in the pro forma financial information.



**Note 3. Pro Forma Adjustments**

The accompanying unaudited pro forma condensed consolidated financial information has been prepared as if the sale of PEM was completed on March 31, 2007 for consolidated balance sheet purposes, and as if the sale of PEM had occurred as of January 1, 2004 for statements of consolidated operations purposes, and reflect the following pro forma adjustments:

- (a) To record the receipt of proceeds of \$1,177,900 in cash from the sale of PEM.
- (b) To record the estimated cash taxes to be paid on the estimated gain arising from the sale of PEM.

The estimated gain for this report is based on an estimate of the allocation of gross proceeds by legal entity compared to an estimate of tax basis of the assets and liabilities by legal entity as of March 31, 2007 (the "date of sale"). The final gain to be reported on the Company's federal, state and local income tax returns may differ from the estimated gain. Among the reasons for these potential differences are the following: (1) the parties to the sale may agree on an allocation of proceeds that differs from that used in the estimated gain; (2) the tax basis of the assets and liabilities sold will change as a result of operations and other adjustments from the date of sale to the date of closing; (3) further adjustments may be required after all tax relevant data is analyzed and concluded upon, including data related to transaction-related fees, state net operating loss carryforwards, the potential liability for state and local taxes in jurisdictions where the Company has not historically filed and the tax effects of certain aspects of the federal consolidated return regulations.

Management believes that the calculation of the estimated cash taxes to be paid on the estimated gain is reasonable based on the best available information.

- (c) To record the estimated transaction-related fees payable incurred in connection with the sale of PEM, including legal fees, bank fees and audit and accounting fees.
- (d) To record the estimated gain on the sale of PEM, after transaction-related fees and net of taxes, as follows:

Cash proceeds	\$ 1,177,900
Less:	
Net assets of PEM	668,088
Estimated transaction-related fees	21,048
Estimated taxes on gain	42,252
	<hr/>
Estimated gain on sale, net of tax	\$ 446,512
	<hr/>

- (e) To adjust accumulated deficit for the removal of the assets and liabilities of PEM.

(f)

To remove the assets, liabilities, and equity of PEM as of March 31, 2007. Assets and liabilities consisted of the following:

Accounts receivable, net	\$ 91,277
Inventories	11,210
Prepaid expenses and other	14,624
Property and equipment, net	28,413
Intangible assets, net	161,468
Goodwill	569,827
Other non-current assets	5,521
	<hr/>
Total assets	\$ 882,340
	<hr/>
Accounts payable	\$ 30,559
Accrued expenses and other	56,289
Deferred revenues	81,155
Capital lease obligations	2,297
Other non-current liabilities	43,952
	<hr/>
Total liabilities	\$ 214,252
	<hr/>

(g)

Historical PRIMEDIA's condensed consolidated statement of operations for the three months ended March 31, 2007 was included in PRIMEDIA's Quarterly Report on Form 10-Q for the quarter ended March 31, 2007. This statement of condensed consolidated operations as of March 31, 2007, had already presented the operations of PEM as discontinued operations in accordance with Statement of Financial Accounting Standard ("SFAS") No. 144, "*Accounting for the Impairment or Disposal of Long-Lived Assets*". Accordingly, no other pro forma adjustments are required.

(h)

Includes adjustment for corporate overhead expenses previously allocated to PEM, but that will continue to be incurred by PRIMEDIA after the sale of PEM in the amount of \$5,176, \$5,340 and \$5,961 for the years ended December 31, 2006, 2005 and 2004, respectively.

(i)

Includes the required tax provision on pro forma PRIMEDIA loss from continuing operations in accordance with SFAS No. 109, "*Accounting for Income Taxes*". PRIMEDIA records a deferred tax liability (and an offsetting income tax provision) for the difference between the book and tax basis of indefinite lived intangible assets that cannot be offset by net operating loss carryforwards. The future reversal of these differences cannot be projected and therefore cannot be netted against the entity's definite-lived deferred tax assets. There is no other provision provided because of the availability of significant net operating loss carryforwards.

For the years ended December 31, 2006, 2005 and 2004, pro forma PRIMEDIA has a loss from continuing operations, after consideration of tax permanent items. Pursuant to paragraph 140 of SFAS No. 109, it is appropriate to consider income from discontinued operations in the current year for purposes of allocating a tax benefit to a current-year loss from continuing operations. Accordingly, a tax benefit is included within the tax provision of PEM for these periods as a result of the application of SFAS No. 109, paragraph 140.

(j)

To remove the results of operations of PEM for the years ended December 31, 2006, 2005 and 2004.

**Note 4. Unaudited Pro Forma Loss Per Common Share Data**

Basic and diluted pro forma loss per common share were calculated using the weighted average shares outstanding of PRIMEDIA for the three months ended March 31, 2007 and the years ended December 31, 2006, 2005 and 2004. Potentially dilutive securities were not included in the computation of diluted loss per common share because the effect of their inclusion would be anti-dilutive.

**SECURITY OWNERSHIP OF  
CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following table sets forth the number of shares of company common stock beneficially owned, as of June 18, 2007 by (i) each beneficial owner of more than five percent of the Company's outstanding common stock, (ii) each of the Company's directors and named executive officers, and (iii) all directors and executive officers of the Company as a group. As of June 18, 2007, 264,970,002 shares of company common stock were outstanding, and the ownership percentages reflected in the table below are based on the number of shares outstanding as of such date.

Name	Number of Shares Beneficially Owned(1)	Percentage
<b>Beneficial Owners over 5%</b>		
KKR Associates, L.P.(2) 9 West 57th Street New York, New York 10019	106,886,265	40.34%
KKR 1996 GP LLC(3) 9 West 57th Street New York, New York 10019	57,060,039	20.92%
Marathon Asset Management Limited(4)	21,571,237	8.14%
Glenview Capital Management, LLC(5)	18,447,827	6.97%
Amber Master Fund (Cayman) SPC(6)	14,257,504	5.40%
<b>Directors</b>		
David A. Bell(7)	120,000	*
Beverly C. Chell(8)	2,479,282	*
Dan Ciporin		*
Meyer Feldberg(9)	208,500	*
Perry Golkin(2)(3)(10)	160,112	*
H. John Greeniaus(11)	248,500	*
Dean B. Nelson(12)	3,050,000	1.14%
Kevin Smith		*
Thomas C. Uger(2)(3)		*
<b>Other Named Executive Officers</b>		
Robert C. Metz(13)	600,000	*
Kevin J. Neary(14)	78,608	*
Steven Parr(15)	83,333	*
<b>All directors and executive officers as a group (20 persons)</b>	<b>7,687,505</b>	<b>2.85%</b>

\*  
Less than one percent

(1) For purposes of this table, a person or group is deemed to have "beneficial ownership" of any shares as of a given date which such person has voting power, investment power, or has the right to acquire within 60 days after such date. For purposes of computing the percentage of outstanding shares held by each person or group of persons named above on a given date, any security which such person or persons has the right to acquire within 60 days after such date is deemed to be outstanding, but is not deemed to be outstanding for the purpose of computing the percentage of ownership of any other person. Except as otherwise noted, each beneficial owner of more than five percent of the Company's common stock and each director and executive officer has sole voting and investment power over the shares reported. With respect to the restricted common stock of the Company shown as owned by certain executive officers, the executive officers have voting power but no investment power.

## Edgar Filing: PRIMEDIA INC - Form PRE 14C

- (2) Shares of common stock shown as owned by KKR Associates, L.P. are owned of record by MA Associates, L.P., FP Associates, L.P., Magazine Associates, L.P., Publishing Associates, L.P., Channel One Associates, L.P., and KKR Partners II, L.P., of which KKR Associates, L.P. is the general partner and as to which it possesses sole voting and investment power. Henry R. Kravis, George R. Roberts, Perry Golkin (a director of PRIMEDIA), Paul E. Raether, Michael W. Michelson, James H. Greene, Edward A. Gilhuly and Scott M. Stuart, as the general partners of KKR Associates, L.P., may be deemed to share beneficial ownership of the shares shown as beneficially owned by KKR Associates, L.P. Such persons disclaim beneficial ownership of such shares. Mr. Uger (a director of PRIMEDIA) is a limited partner of KKR Associates, L.P. and an executive of KKR. He disclaims beneficial ownership of such shares.
- (3) Of the shares shown as owned by KKR 1996 GP LLC, 49,190,039 shares are represented by shares of the Company's common stock and 7,870,000 shares are represented by warrants to purchase 7,870,000 shares of the Company's common stock which are currently exercisable by the holder. The shares of common stock and the warrants to purchase common stock shown as owned by KKR 1996 GP LLC are owned of record by KKR 1996 Fund L.P., of which KKR Associates 1996 L.P. is the sole general partner. KKR 1996 GP LLC is the sole general partner of KKR Associates 1996 L.P. and possesses sole voting and investment power. Henry R. Kravis, George R. Roberts, Perry Golkin, Paul E. Raether, Michael W. Michelson, James H. Greene, Todd A. Fisher, Johannes P. Huth and Alexander Navab are the members of KKR 1996 GP LLC. Each of such individuals disclaims beneficial ownership of such shares and warrants.
- (4) Information based solely upon Schedule 13G filed on January 16, 2007 by M.A.M. Investments Ltd., Marathon Asset Management (Services) Ltd., Marathon Asset Management LLP, William James Arah, Jeremy John Hosking and Neil Mark Ostrer (collectively the "Marathon Reporting Persons"). According to the filing, the Marathon Reporting Persons have shared dispositive power over all the shares and shared voting power over 16,151,648 shares and Mr. Hosking has sole voting and dispositive power over 450,000 shares.
- (5) Information based solely upon Schedule 13G filed on March 22, 2007 by Glenview Capital Management, LLC, Glenview Capital GP, LLC and Lawrence M. Robbins (collectively, the "Glenview Reporting Persons"). According to the filing, the Glenview Reporting Persons have shared voting and dispositive power for all the shares.
- (6) Information based solely upon Schedule 13G filed on June 8, 2007 by Amber Master Fund (Cayman) SPC, Amber Capital LP, Amber Capital GP LLC, Michel Brogard and Joseph Oughourlian (collectively, the "Amber Reporting Persons"). According to the filing, the Amber Reporting Persons have shared voting and dispositive power for all the shares.
- (7) Of the shares shown as owned, 108,500 shares are represented by vested options to purchase common stock.
- (8) Of the shares shown as owned, 10,000 shares are owned of record by Robert M. Chell, 10,000 shares are owned of record by the Robert and Beverly Chell Foundation over which Ms. Chell has shared voting and investment power and 1,872,484 shares are represented by vested options to purchase common stock.
- (9) Of the shares shown as owned, 108,500 shares are represented by vested options to purchase common stock.
- (10) Of the shares shown as owned, 157,112 shares are represented by shares Mr. Golkin is entitled to receive pursuant to the directors' deferred compensation plan.
- (11) Of the shares shown as owned, 133,500 shares are represented by vested options to purchase common stock.

Edgar Filing: PRIMEDIA INC - Form PRE 14C

- (12) Of the shares shown as owned, 1,800,000 shares are represented by 1,800,000 options to purchase the Company's common stock issued to Capstone, a consulting firm to the Company, for services performed, which options are currently exercisable by Capstone and 1,000,000 shares are represented by shares of the Company's common stock owned by Capstone. Mr. Nelson (the President, CEO and Chairman of the Board) is the Chief Executive Officer of Capstone and possesses sole voting and investment power with respect to such options and shares.
- (13) Of the shares shown as owned, 135,000 are represented by vested options to purchase common stock and 112,500 shares are represented by shares of restricted common stock which are not yet vested.
- (14) Of the shares shown as owned, 71,500 shares are represented by vested options to purchase common stock.
- (15) Of the shares shown as owned, all of the shares are represented by vested options to purchase common stock.

**MULTIPLE SHAREHOLDERS SHARING ONE ADDRESS**

In accordance with Rule 14a-3(e)(1) under the Exchange Act, one Information Statement will be delivered to two or more shareholders who share an address, unless the Company has received contrary instructions from one or more of the shareholders. The Company will deliver promptly upon written or oral request a separate copy of the Information Statement to a shareholder at a shared address to which a single copy of the Information Statement was delivered.

Requests for additional copies of the Information Statement, and requests that in the future separate Information Statements be sent to shareholders who share an address, should be directed to the attention of the Secretary of PRIMEDIA, Inc., 745 Fifth Avenue, New York, NY 10151, telephone: (212) 745-0100. In addition, shareholders who share a single address but receive multiple copies of the Information Statement may request that in the future they receive a single copy by contacting PRIMEDIA at the address and phone number set forth in the prior sentence.

**WHERE YOU CAN FIND ADDITIONAL INFORMATION**

The Company files annual, quarterly and current reports, proxy statements and other information with the SEC. You may read and copy any reports, proxy statements or other information that we file with the SEC at the following location of the SEC:

Public Reference Room  
100 F Street, N.E.  
Washington, D.C. 20549

Please call the SEC at 1-800-SEC-0330 for further information on the public reference rooms. You may also obtain copies of this information by mail from the Public Reference Section of the SEC, 100 F Street, N.E., Washington, D.C. 20549, at prescribed rates. The Company's public filings are also available to the public from document retrieval services and the Internet website maintained by the SEC at [www.sec.gov](http://www.sec.gov).

Reports, proxy statements or other information concerning us may also be inspected at the offices of the NYSE at:

20 Broad Street  
New York, NY 10005

Any person, including any beneficial owner, to whom this Information Statement is delivered may request copies of reports, proxy statements or other information concerning us, without charge, by written or telephonic request directed to the attention of the Secretary of PRIMEDIA Inc., 745 Fifth Avenue, New York, New York 10151, telephone: 212-745-0100.

The SEC allows us to "incorporate by reference" into this Information Statement documents we file with the SEC. This means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is considered to be a part of this Information Statement, and later information that we file with the SEC will update and supersede that information. We incorporate by reference the documents listed below and any documents filed by us pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of this Information Statement and prior to the date of the special meeting:

<b>Company Filings</b>	<b>Period</b>
Annual Report on Form 10-K	Year ended December 31, 2006
Quarterly Reports on Form 10-Q	Quarter ended March 31, 2007
Current Reports on Form 8-K	Filed January 18, 2007, January 31, 2007, February 6, 2007, February 9, 2007, February 22, 2007, February 27, 2007, March 6, 2007, March 29, 2007, May 1, 2007, May 7, 2007, May 14, 2007, May 21, 2007, June 1, 2007

No persons have been authorized to give any information or to make any representations other than those contained in this Information Statement and, if given or made, such information or representations must not be relied upon as having been authorized by us or any other person. This Information Statement is dated June [ ], 2007. You should not assume that the information contained in this Information Statement is accurate as of any date other than that date, and the mailing of this Information Statement to shareholders shall not create any implication to the contrary.



**Table of Contents to Combined Financial Statements**

**PRIMEDIA Enthusiast Media**

Independent Auditors' Report	F-3
Statements of Combined Income for the Years Ended December 31, 2006, 2005 and 2004	F-4
Combined Balance Sheets as of December 31, 2006 and 2005	F-5
Statements of Combined Cash Flows for the Years Ended December 31, 2006, 2005 and 2004	F-6

**PRIMEDIA Enthusiast Media**

Condensed Statements of Combined Operations for the Three Months Ended March 31, 2007 and 2006 (Unaudited)	F-31
Condensed Combined Balance Sheets as of March 31, 2007 and December 31, 2006 (Unaudited)	F-32
Condensed Statements of Combined Cash Flows for the Three Months Ended March 31, 2007 and 2006 (Unaudited)	F-33
Notes to Condensed Combined Financial Statements (Unaudited)	F-34

**PRIMEDIA Enthusiast Media**

Combined Financial Statements  
As of December 31, 2006 and 2005 and  
for the Years Ended December 31, 2006, 2005 and 2004

F-2

---

**Independent Auditors' Report**

To the Board of Directors of  
PRIMEDIA Inc.  
New York, New York

We have audited the accompanying combined balance sheets of PRIMEDIA Enthusiast Media (the "Company"), consisting of certain indirect wholly-owned subsidiaries of PRIMEDIA Inc., as of December 31, 2006 and 2005, and the related statements of combined income and combined cash flows for each of the three years in the period ended December 31, 2006. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such combined financial statements present fairly, in all material respects, the financial posi