PRIMEDIA INC
Form 10-Q/A
November 09, 2007

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q/A

(Amendment No. 1)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended: June 30, 2007

Commission file number: 1-11106

PRIMEDIA Inc.

(Exact name of registrant as specified in its charter)

Delaware	**13-3647573**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

**3585 Engineering Drive,
Norcross, Georgia**

(Address of principal executive offices)

30092

(Zip Code)

Registrant s telephone number, including area code **(212) 745-0100**

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Large accelerated filer o Accelerated filer x Non-accelerated filer o

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

Number of shares of common stock, par value $.01 per share, of PRIMEDIA Inc. outstanding as of August 2, 2007: 44,120,007

EXPLANATORY NOTE

PRIMEDIA Inc. (the Company) is filing this Quarterly Report on Form 10-Q/A for the period ended June 30, 2007 (Amendment or Second Quarter 2007 Form 10-Q/A Report) to amend its Quarterly Report on Form 10-Q for the period ended June 30, 2007 (Original Filing) that was filed with the Securities and Exchange Commission (SEC) on August 7, 2007.

This Second Quarter 2007 Form 10-Q/A Report includes a restated condensed consolidated balance sheet, statement of consolidated operations and statement of consolidated cash flows as of June 30, 2007 and for the three and six months ended June 30, 2007.

Subsequent to the issuance of the Company s condensed consolidated financial statements as of and for the three and six months ended June 30, 2007, the Company determined that for the three and six months ended June 30, 2007, it had incorrectly recorded, due to a non-cash clerical error, an income tax benefit of $1,422 in continuing operations and an income tax benefit of $491 in discontinued operations. As a result, the condensed consolidated balance sheet and the condensed statements of consolidated operations and cash flows have been restated from amounts previously reported to correct this error. See Note 15 for a reconciliation of previously reported and restated amounts for the periods shown.

For the convenience of the reader, this Second Quarter 2007 Form 10-Q/A Report sets forth the Original Filing in its entirety. This Second Quarter 2007 Form 10-Q/A Report includes currently-dated certifications from our Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer, as required by Sections 302 and 906 of the Sarbanes-Oxley Act of 2002. Additionally, the Company has updated the subsequent events within Note 16, and the Management s Discussion and Analysis of Financial Condition and Results of Operations, which also give effect to the restatement; no other information in the Original Filing has been updated.

PRIMEDIA Inc.
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Part I. Financial Information:

PRIMEDIA INC. AND SUBSIDIARIES
Condensed Consolidated Balance Sheets (Unaudited)
(in thousands, except share and per share amounts)

	June 30, 2007 (As restated, see Note 15)	December 31, 2006
ASSETS		
Current assets:		
Cash and cash equivalents	$ 111,040	$ 5,828
Accounts receivable, net	28,564	115,284
Inventories	443	12,978
Prepaid expenses and other	15,185	18,977
Assets of businesses held for sale	882,016	170,037
Total current assets	1,037,248	323,104
Property and equipment (net of accumulated depreciation and amortization of $82,149 in 2007 and $164,478 in 2006)	21,078	46,390
Intangible assets, net	25,988	187,887
Goodwill	133,133	674,138
Other non-current assets	15,777	22,810
Total Assets	$ 1,233,224	$ 1,254,329
LIABILITIES AND SHAREHOLDERS DEFICIENCY		
Current liabilities:		
Accounts payable	$ 10,816	$ 47,679
Accrued expenses and other	45,841	112,183
Deferred revenues	1,924	79,035
Current maturities of long-term debt	5,177	6,070
Liabilities of businesses held for sale	203,380	50,300
Total current liabilities	267,138	295,267
Long-term debt	1,312,026	1,316,959
Deferred revenues	11,900	12,750
Deferred income taxes	12,322	72,060
Other non-current liabilities	58,024	80,523
Total Liabilities	1,661,410	1,777,559
Commitments and contingencies (Note 12)		
Shareholders deficiency:		
Common stock ($.01 par value, 350,000,000 shares authorized at June 30, 2007 and December 31, 2006; 45,520,324 and 45,475,527 shares issued and 44,113,256 and 44,068,459 shares outstanding at June 30, 2007 and December 31, 2006, respectively) (1)	455	455
Additional paid-in capital (including warrants of $31,690 at June 30, 2007 and December 31, 2006)	2,370,063	2,369,220
Accumulated deficit	(2,722,827)	(2,817,028)
Common stock in treasury, at cost (1,407,068 shares at June 30, 2007 and December 31, 2006) (1)	(75,877)	(75,877)
Total Shareholders Deficiency	(428,186)	(523,230)
Total Liabilities and Shareholders Deficiency	$ 1,233,224	$ 1,254,329

(1) Reflects the one-for-six reverse stock split effected on August 1, 2007. All periods have been restated to reflect the reverse stock split.

See notes to condensed consolidated financial statements (unaudited).

PRIMEDIA INC. AND SUBSIDIARIES
Condensed Statements of Consolidated Operations (Unaudited)
(in thousands, except share and per share amounts)

	Three Months Ended June 30, 2007 (As restated, see Note 15)	2006
Revenues, net:		
Advertising	$ 67,018	$ 67,291
Other	14,552	13,992
Total revenues, net	81,570	81,283
Operating costs and expenses:		
Cost of goods sold (exclusive of depreciation and amortization of property and equipment)	8,658	9,871
Marketing and selling	23,815	22,344
Distribution and circulation	21,820	20,750
Editorial	1,678	1,914
Other general expenses	7,348	8,228
Corporate administrative expenses (including non-cash compensation of $397 and $1,619 in 2007 and 2006, respectively)	7,438	10,628
Depreciation and amortization of property and equipment	3,286	3,377
Amortization of intangible assets and other	856	716
Provision for restructuring costs	1,015	155
Loss on sale of businesses		28
Operating income	5,656	3,272
Other income (expense):		
Interest expense	(29,031)	(32,176)
Amortization of deferred financing costs	(584)	(657)
Other income, net	1,934	629
Loss from continuing operations before benefit for income taxes	(22,025)	(28,932)
Benefit for income taxes	9,491	9,880
Loss from continuing operations	(12,534)	(19,052)
Discontinued operations, net of tax (including loss on sale of businesses, net of tax, of $(2,270) and $(40) in 2007 and 2006, respectively)	18,207	16,937
Net income (loss)	$ 5,673	$ (2,115)
Basic and diluted earnings (loss) per common share (1):		
Continuing operations	$ (0.28)	$ (0.43)
Discontinued operations	0.41	0.38
Net income (loss)	$ 0.13	$ (0.05)
Basic and diluted common shares outstanding (weighted average) (1)	44,098,131	43,990,277

(1) Reflects the one-for-six reverse stock split effected on August 1, 2007. All periods have been restated to reflect the reverse stock split.

See notes to condensed consolidated financial statements (unaudited).

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PRIMEDIA INC. AND SUBSIDIARIES
Condensed Statements of Consolidated Operations (Unaudited)
(in thousands, except share and per share amounts)

	Six Months Ended June 30, 2007 (As restated, see Note 15)	2006 (As adjusted, see Note 1)
Revenues, net:		
Advertising	$ 133,299	$ 134,383
Other	28,315	28,302
Total revenues, net	161,614	162,685
Operating costs and expenses:		
Cost of goods sold (exclusive of depreciation and amortization of property and equipment)	17,258	19,798
Marketing and selling	46,213	44,572
Distribution and circulation	42,010	41,843
Editorial	3,444	3,853
Other general expenses	15,037	16,708
Corporate administrative expenses (including non-cash compensation of $558 and $2,537 in 2007 and 2006, respectively)	14,335	19,456
Depreciation and amortization of property and equipment	6,399	6,041
Amortization of intangible assets and other	1,592	1,394
Provision for restructuring costs	2,604	277
Loss on sale of businesses		28
Operating income	12,722	8,715
Other income (expense):		
Interest expense	(58,111)	(63,633)
Amortization of deferred financing costs	(1,168)	(1,315)
Other income, net	3,820	785
Loss from continuing operations before benefit for income taxes	(42,737)	(55,448)
Benefit for income taxes	15,947	19,419
Loss from continuing operations	(26,790)	(36,029)
Discontinued operations, net of tax (including gain on sale of businesses, net of tax, of $41,258 and $13,668 in 2007 and 2006, respectively)	137,117	36,322
Cumulative effect of change in accounting principle, net of tax (from the adoption of of Statement of Financial Accounting Standard No. 123 (R))		22
Net income	$ 110,327	$ 315
Basic and diluted earnings (loss) per common share (1):		
Continuing operations	$ (0.61)	$ (0.82)
Discontinued operations	3.11	0.82
Cumulative effect of change in accounting principle		0.00
Net income	$ 2.50	$ 0.00
Basic and diluted common shares outstanding (weighted average) (1)	44,092,510	43,976,230

(1) Reflects the one-for-six reverse stock split effected on August 1, 2007. All periods have been restated to reflect the reverse stock split.

See notes to condensed consolidated financial statements (unaudited).

PRIMEDIA INC. AND SUBSIDIARIES
Condensed Statements of Consolidated Cash Flows (Unaudited)
(in thousands)

	Six Months Ended June 30, 2007 (As restated, see Note 15)	2006 (As adjusted, see Note 1)
Operating activities:		
Net income	$ 110,327	$ 315
Cumulative effect of change in accounting principle, net of tax		(22)
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Gain on sales of businesses, net	(41,258)	(13,640)
Deferred income taxes	(59,738)	6,870
Other, net	14,448	16,341
Changes in operating assets and liabilities	(46,411)	510
Net cash (used in) provided by operating activities	(22,632)	10,374
Investing activities:		
Additions to property, equipment and other	(11,990)	(10,767)
Proceeds from sales of businesses	175,391	17,000
Payments for businesses acquired, net of cash acquired	(31,658)	(15,813)
Net cash provided by (used in) investing activities	131,743	(9,580)
Financing activities:		
Borrowings under credit agreements	32,800	202,500
Repayments of borrowings under credit agreements	(36,300)	(142,500)
Payments for repurchases of senior notes		(62,094)
Proceeds from issuances of common stock, net	286	265
Capital lease payments	(571)	(1,879)
Other	(114)	(108)
Net cash used in financing activities	(3,899)	(3,816)
Increase (decrease) in cash and cash equivalents	105,212	(3,022)
Cash and cash equivalents, beginning of period	5,828	7,255
Cash and cash equivalents, end of year period	$ 111,040	$ 4,233
Supplemental information:		
Cash interest paid, including interest on capital and restructured leases	$ 58,076	$ 64,718
Cash income taxes paid, net of refunds received	$ 16,943	$ 4,740
Cash paid for restructuring costs	$ 4,993	$ 2,715
Businesses acquired:		
Fair value of assets acquired	$ 32,725	$ 15,544
(Liabilities assumed) net of deferred purchase price payments	(1,067)	269
Payments for businesses acquired, net of cash acquired	$ 31,658	$ 15,813

See notes to condensed consolidated financial statements (unaudited).

PRIMEDIA INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Unaudited)
(in thousands, except share and per share amounts)

1. Summary of Significant Accounting Policies

Basis of Presentation

PRIMEDIA Inc., together with its subsidiaries, is herein referred to as either PRIMEDIA or the Company unless the context implies otherwise. In the opinion of the Company s management, the condensed consolidated financial statements present fairly the consolidated financial position of the Company as of June 30, 2007 and December 31, 2006, the results of consolidated operations of the Company for the three and six months ended June 30, 2007 and 2006 and consolidated cash flows of the Company for the six months ended June 30, 2007 and 2006. The adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. The condensed consolidated balance sheet as of December 31, 2006 has been derived from the Company s audited consolidated balance sheet included in the Company s annual report on Form 10-K for the year ended December 31, 2006. All intercompany accounts and transactions have been eliminated in consolidation. These statements should be read in conjunction with the Company s annual consolidated financial statements and related notes for the year ended December 31, 2006, which are included in the Company s Annual Report on Form 10-K for the year ended December 31, 2006. The operating results for the three and six months ended June 30, 2007 are not necessarily indicative of the results that may be expected for a full year. Certain amounts in the prior periods condensed consolidated statement of operations and related notes have been reclassified due to discontinued operations to conform to the presentation for the three and six months ended June 30, 2007.

On August 1, 2007, the Company effected a one-for-six reverse stock split. The number of outstanding common shares have become one-sixth of their prior amount, and the par value remains at $0.01 per share. All references to share data in this Quarterly Report on Form 10-Q/A have been restated to reflect the reverse stock split. See Note 16 for further details.

Recent Accounting Pronouncements Adopted

SAB No. 108, Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements

During the fourth quarter of 2006, the Company adopted Staff Accounting Bulletin (SAB) No. 108, Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements. During the fourth quarter of 2006, the Company concluded that deferred income tax benefits of approximately $7,500 should have been recorded during the year ended December 31, 2005 when it became apparent that certain taxable temporary differences would reverse as a result of classification of businesses as discontinued operations. Management believes that this error totaling approximately $7,500 was not material to the 2006 financial statements. Upon adoption of SAB No. 108 the Company recorded a cumulative effect adjustment as of January 1, 2006 to accumulated deficit of approximately $7,500, which was reflected in the Company s 2006 Annual Report on Form 10-K. Of this amount, approximately $5,500 and $2,000 had been recorded to income from discontinued operations in the first quarter and third quarter of 2006, respectively. The consolidated statement of operations for the six months ended June 30, 2006 has been restated to adjust for the impact of the SAB No. 108 adjustment.

FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes

In July 2006, the Financial Accounting Standards Board (FASB) issued Interpretation No. 48 (FIN 48), Accounting for Uncertainty in Income Taxes , effective for fiscal years beginning after December 15, 2006. This Interpretation clarifies the accounting for uncertainty in income taxes recognized in an enterprise s financial

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statements in accordance with Statement of Financial Accounting Standard (SFAS) No. 109, Accounting for Income Taxes . This Interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 requires that, in order to be recognized, tax benefits must be more likely than not to be sustained upon examination by taxing authorities. The amount recognized is measured as the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement. Differences between the amounts recognized in the statements of financial position prior to the adoption of FIN 48 and the amounts reported after adoption were accounted for as a cumulative-effect adjustment recorded to the beginning balance of retained earnings. FIN 48 also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. See Note 9 for the adjustments that resulted from the Company s adoption of FIN 48.

2. Divestitures

The Company has classified the results of certain divested entities and entities planned for disposition as of June 30, 2007 as discontinued operations in accordance with SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets .

In the fourth quarter of 2005, the Company decided to pursue the sales of its History and Crafts groups, part of the Enthusiast Media segment. The Company completed the sale of the History group during the first quarter of 2006, for $17,000, resulting in a net gain of approximately $13,700. The sale of the Crafts group was completed during the third quarter of 2006.

In the fourth quarter of 2006, the Company announced that it had agreed to sell its Outdoors group (part of the Enthusiast Media segment), which consists primarily of its hunting, fishing, and shooting titles, for $170,000 in cash. The transaction was completed in January 2007 and the Company recorded a gain of $57,577. The net proceeds from this sale are subject to routine post-closing adjustments. The assets and liabilities of the Outdoors group are included in assets and liabilities of businesses held for sale on the accompanying condensed consolidated balance sheet as of December 31, 2006.

In the fourth quarter of 2006, the Company announced that it would classify the results of operations of its Education segment as discontinued operations, due to the Company actively pursuing the sale of this segment. The Company s Education segment was comprised of Channel One, a proprietary network for secondary schools; Films Media Group, a leading source of educational video; and PRIMEDIA Healthcare, a medical education business. During the second quarter, the Company completed the sale of Channel One for a loss of $6,399, of which $5,000 was recorded during the first quarter of 2007. Also during the second quarter of 2007, the Company completed the sale of Films Media Group, for a gain of $184. The remaining assets and liabilities of the Education segment are classified as businesses held for sale on the accompanying consolidated balance sheets as of June 30, 2007 and December 31, 2006 (see further discussion below).

In February 2007, the Company announced that its Board of Directors had authorized the Company to explore the sale of its Enthusiast Media segment. PRIMEDIA retained Goldman Sachs and Lehman Brothers to manage this process. In May 2007, the Company entered into an agreement to sell the Enthusiast Media Segment for $1,177,900 to Source Interlink Companies, Inc., subject to certain post-closing adjustments. The sale was completed on August 1, 2007. The Company has applied the proceeds from the sale to pay down debt. See Note 16.

The results of these operations have been classified as discontinued for all periods presented.

Total revenues, net, and income before provision for income taxes included in discontinued operations on the accompanying condensed statements of consolidated operations are as follows:

	Three Months Ended June 30, 2007	2006	Six Months Ended June 30, 2007	2006
Total revenues, net	$ 145,715	$ 187,972	$ 291,819	$ 367,588
Income before provision for income taxes (1)	$ 31,628	$ 32,067	$ 52,684	$ 50,070

(1) Income before provision for income taxes above excludes gains (losses) on sale of businesses.

The losses on sales of businesses were $2,592 and $40 for the three months ended June 30, 2007 and 2006, respectively. The gains on sales of businesses were $50,779 and $13,668 for the six months ended June 30, 2007 and 2006, respectively.

During the first half of 2007, the Company recorded a tax benefit of approximately $61,000 related to the Enthusiast Media segment. This benefit, which is recorded as a component of discontinued operations, represents the tax consequences of the recharacterization of certain indefinite-lived intangible assets to definite-lived in connection with reclassification of the Enthusiast Media segment as held for sale during the first quarter of 2007 and was recorded when it became apparent that certain taxable temporary differences would reverse.

Held for Sale

The assets and liabilities of businesses which the Company has initiated plans to sell, but had not sold, as of June 30, 2007 and December 31, 2006, have been classified as held for sale on the accompanying condensed consolidated balance sheets. As of June 30, 2007, this represents the assets and liabilities of the Enthusiast Media segment and PRIMEDIA Healthcare. As of December 31, 2006, this represents the assets and liabilities of the Outdoors group and the Education segment.

	June 30, 2007	December 31, 2006
ASSETS		
Accounts receivable, net	$ 87,879	$ 17,103
Inventories	10,781	1,750
Prepaid expenses and other	13,032	6,458
Property and equipment, net	31,094	8,234
Intangible assets	171,528	22,595
Goodwill	562,585	105,238
Other non-current assets	5,117	8,659
Assets held for sale	$ 882,016	$ 170,037
LIABILITIES		
Accounts payable	$ 27,730	$ 5,500
Accrued expenses and other	46,477	14,977
Deferred revenues current	80,439	29,472
Current maturities of long term debt.	846	
Long-term debt	1,707	
Other non-current liabilities	46,181	351
Liabilities of businesses held for sale	$ 203,380	$ 50,300

As discussed above, in January 2007, the Company completed the sale of its Outdoors group. During the second quarter of 2007, the Company completed the sale of Channel One and Films Media Group, part of the Education segment. On August 1, 2007, the Company completed the sale of the Enthusiast Media segment. See Note 16.

3. Acquisitions

Acquisition of Rentalhouses.com

In February of 2007, the Company acquired the assets of RentalHouses.com, for approximately $9,000 in cash. The Company has not yet completed its purchase price allocation and in the interim has classified the intangible assets to goodwill.

Acquisition of Modified Automotive Group

In January of 2007, the Company acquired Modified Automotive Group, publisher of *Modified Magazine*, *Modified Luxury & Exotics Magazine*, *Modified Mustangs Magazine*, and their related event partnerships and websites, for $15,050 in cash (including acquisition related expenses). The Company completed its purchase price allocation during the second quarter of 2007. This acquisition is part of the Enthusiast Media segment, therefore goodwill is included in assets of businesses held for sale on the accompanying condensed consolidated balance sheet as of June 30, 2007.

	Amortization Period	**Amount Allocated**
Goodwill		$ 7,942
Advertiser Lists	5 years	3,000
Subscriber Lists	5 years	580
Trademarks		3,300
Non-Compete Agreements	5 years	490
Other		46
		15,358
Less: assumed liabilities		(308)
Total		$ 15,050

These acquisitions did not have a material impact on the Company s results of operations for the three and six months ended June 30, 2007.

Other

In the six months ended June 30, 2007, the Company made two small acquisitions totaling approximately $1,500, made earnout payments for prior acquisitions totaling approximately $3,800, and made deferred purchase price payments of approximately $3,100.

4. Accounts Receivable, Net

Accounts receivable, net, consisted of the following:

	June 30, 2007	**December 31, 2006**
Accounts receivable	$ 29,631	$ 124,788
Allowance for doubtful accounts	(1,067)	(7,368)
Allowance for returns and rebates		(2,136)
	$ 28,564	$ 115,284

The decrease in accounts receivable above is due to the Enthusiast Media segment assets and liabilities, which are classified as held for sale on the condensed consolidated balance sheet as of June 30, 2007.

5. Inventories

Inventories consisted of the following:

	June 30, 2007	December 31, 2006
Raw materials	$ 443	$ 10,915
Work in process		79
Finished goods		1,984
	$ 443	$ 12,978

The decrease in inventories above is due to the Enthusiast Media segment assets and liabilities, which are classified as held for sale on the condensed consolidated balance sheet as of June 30, 2007.

6. Goodwill, Intangible Assets and Other

In accordance with SFAS No. 142, Goodwill and Other Intangible Assets (SFAS No. 142), the Company assesses goodwill and indefinite lived intangible assets for impairment at least once a year. The Company has established October 31 as its annual impairment test date. In addition to the annual impairment test, an assessment is also required whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. For the six months ended June 30, 2007 and 2006, there were no events or changes in circumstances requiring the Company to perform an impairment test related to goodwill, intangible assets or other finite lived assets, other than the decision to sell Enthusiast Media. There were no impairments recorded.

Changes in the carrying amount of goodwill for the six months ended June 30, 2007, by operating segment, are as follows:

	Enthusiast Media	Consumer Guides	Total
Balance as of January 1, 2007	$ 550,952	$ 123,186	$ 674,138
Purchase price adjustments for valuation reports	(4,967)	601	(4,366)
Goodwill acquired related to the acquisition of businesses	16,600	9,346	25,946
Adjustment to goodwill allocated to assets of businesses held for sale	(562,585)		(562,585)
Balance as of June 30, 2007	$	$ 133,133	$ 133,133

Intangible assets subject to amortization in accordance with SFAS No. 142 consist of the following:

	Weighted Average Amortization Period (Years)	June 30, 2007 Gross Carrying Amount	Accumulated Amortization	Net	December 31, 2006 Gross Carrying Amount	Accumulated Amortization	Net
Membership, subscriber and customer lists	4	$ 34	$ 34	$	$ 94,011	$ 71,416	$ 22,595
Advertiser lists	12	93,105	75,166	17,939	99,004	79,987	19,017
Other	8	6,060	4,743	1,317	27,924	20,012	7,912
Total	12	$ 99,199	$ 79,943	$ 19,256	$ 220,939	$ 171,415	$ 49,524

Intangible assets not subject to amortization had a carrying value of $6,732 and $138,363 (excluding intangible assets classified as assets of businesses held for sale) as of June 30, 2007 and December 31, 2006, respectively, and consisted primarily of trademarks. Amortization expense for other intangible assets still subject to amortization was $856 and $716 for the three months ended June 30, 2007 and 2006, respectively. Amortization expense for other intangible assets still subject to amortization was $1,592 and $1,394 for the six

months ended June 30, 2007 and 2006, respectively. As of June 30, 2007, estimated future amortization expenses of other intangible assets still subject to amortization, are as follows: approximately $2,000 for the remainder of 2007, $3,000 for 2008, and $2,000 for 2009, 2010, 2011 and 2012.

7. Accrued Expenses and Other

Accrued expenses and other current liabilities consisted of the following:

	June 30, 2007	December 31, 2006
Interest payable	$ 12,424	$ 12,351
Payroll, commissions and related employee benefits	11,517	25,340
Taxes	4,984	22,928
Rent and lease liabilities	3,614	7,073
Deferred purchase price		4,998
Professional fees	1,870	3,806
Retail display costs and allowances		8,263
Circulation costs		4,840
Other	11,432	22,584
	$ 45,841	$ 112,183

The decrease in accrued expenses and other above is due to the Enthusiast Media segment assets and liabilities, which are classified as held for sale on the condensed consolidated balance sheet as of June 30, 2007.

8. Long-term Debt

Long-term debt consisted of the following:

	June 30, 2007	December 31, 2006
Borrowings under bank credit facilities	$ 492,500	$ 496,000
87⁄8% Senior Notes Due 2011	407,047	406,733
8% Senior Notes Due 2013	294,810	294,810
Senior Floating Rate Notes Due 2010	122,500	122,500
	1,316,857	1,320,043
Obligation under capital leases	346	2,986
	1,317,203	1,323,029
Less: Current maturities of long-term debt	5,177	6,070
	$ 1,312,026	$ 1,316,959

During the first quarter of 2006, the Company purchased $7,025 principal amount of its 87⁄8% Senior Notes due May 15, 2011 in three different transactions for $6,832 plus $200 of accrued interest. In the second quarter of 2006, the Company redeemed $56,615 principal amount of its 87⁄8% Senior Notes due May 15, 2011 in six different transactions for $55,262 plus $400 of accrued interest. As a result of these transactions, the Company recorded a gain of $282 and $336, net of the write-off of unamortized deferred financing costs and bond discount for the three and six months ended June 30, 2006, respectively. This gain is included in the other income, net line on the accompanying condensed statements of consolidated operations.

The Senior Notes and the bank credit facilities all rank senior in right of payment to all subordinated obligations which PRIMEDIA Inc. (a holding company) may incur. The Senior Notes and bank credit facilities are secured by a pledge of stock of Consumer Source Inc. (formerly known as PRIMEDIA Companies Inc.). Consumer Source Inc. includes all of the business and related operations of PRIMEDIA Inc. The operating results of Consumer Source Inc. are the same as consolidated PRIMEDIA Inc., and their balance sheets are substantially the same, except that PRIMEDIA Inc. holds all of the Company s bank credit facilities, Senior Notes indebtedness, capital stock accounts and other miscellaneous balance sheet accounts.

Under the most restrictive covenants as defined in the bank credit facilities agreement, as amended on September 30, 2005, the Company must maintain a minimum interest coverage ratio, as defined, of 1.75 to 1 and

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a minimum fixed charge coverage ratio, as defined, of 1.05 to 1. The maximum allowable debt leverage ratio, as defined in the bank credit facilities, is 6.25 to 1 and decreases to 6.00 to 1 on October 1, 2007.

The Senior Floating Rate Notes bear interest equal to the three-month LIBOR plus 5.375% per year. The interest rate of the Senior Floating Rate Notes was 10.735 % as of June 30, 2007.

During the third quarter of 2007, the Company restructured its financing arrangements. See Note 16 for further details.

9. Income Taxes

The Company adopted the provisions of FIN 48 on January 1, 2007. As a result of the implementation of FIN 48, the Company recognized a liability for uncertain tax positions and related interest and penalties of $16,126 which was accounted for as an increase to the January 1, 2007 balance of accumulated deficit, net of any valuation allowance impact. The liability is included in other non-current liabilities on the accompanying balance sheet as of June 30, 2007. The total amount of unrecognized tax benefits as of January 1, 2007 was $15,786, net of valuation allowance impact. Substantially all of this amount would, if recognized, have an effect on the effective income tax rate. In addition to the unrecognized tax benefits, the Company had $3,689 of interest and penalties accrued as of January 1, 2007.

The Company s policy is to recognize interest and penalties related to unrecognized tax benefits in the provision for income taxes.

The Company or one of its subsidiaries files income tax returns in the U.S. federal jurisdiction and various state and local jurisdictions, and the Company is routinely under audit by many different tax authorities. Management believes that its accrual for tax liabilities is adequate for all open audit years based on its assessment of many factors, including past experience and interpretations of tax law. This assessment relies on estimates and assumptions and may involve a series of complex judgments about future events. As a result of its net operating loss carryforwards, the Company is subject to federal examination for all years since 1992.

It is possible that federal, state and local tax examinations will be settled during the next twelve months. If any of these settlements do occur within the next twelve months, the Company would make any necessary adjustments to the liability for unrecognized tax benefits. Until formal resolutions are reached between the Company and the tax authorities, the determination of a possible audit settlement range with respect to the impact on uncertain tax benefits is not practicable. On the basis of present information, it is the opinion of the Company s management that any assessments resulting from the current examinations will not have a material adverse effect on the Company s consolidated financial statements. The Company does not think it is reasonably possible that any amount of liability currently subject to examination will significantly change within the next twelve months. However, the statute of limitations in select jurisdictions is expected to expire within the next twelve months and may result in a decrease of unrecognized tax benefits and accrued interest of $2,120.

During the quarter ended June 30, 2007, the Company s liability for unrecognized tax benefits increased by $1,707 to $24,103. An additional $577 and $929 of interest was accrued in the three and six months ended June 30, 2007, respectively.

The Company does not amortize the book basis of its indefinite-lived intangible assets, but continues to amortize these intangible assets for tax purposes. For the six months ended June 30, 2007 and 2006, provision for income taxes primarily consisted of deferred income taxes of $1,261 and $1,158, respectively. The Company expects that it will record approximately $1,250, to increase deferred tax liabilities during the remainder of 2007.

10. Provision for Restructuring Costs

In the second quarter of 2007, the Company s management approved a plan to reduce its annual corporate overhead expenses to an amount appropriate to service its continuing Consumer Source operations and relocate its corporate headquarters from New York to Atlanta, where its Consumer Source business is located. The Company expects to complete this plan by March 31, 2008.

In 2006, the Company began cost reduction initiatives to streamline operations, reduce layers of management and consolidate real estate.

Details of the initiatives implemented and the payments made related to both the new and previously implemented plans during the six months ended June 30, 2007 and 2006 are presented in the following tables:

	Liability as of January 1, 2007	Net Provision for the Six Months Ended June 30, 2007	Payments/write-off during the Six Months Ended June 30, 2007	Liability as of June 30, 2007
Employee-related termination costs	$ 9	$ 1,704	$ (295)	$ 1,418
Termination of leases related to office closures	24,684	1,913	(4,355)	22,242
Write-off of deferred rent and other lease liabilities		(1,013)	1,013	
Total	$ 24,693 (1)	$ 2,604 (3)	$ (3,637)	$ 23,660 (1)

	Liability as of January 1, 2006	Net Provision for the Six Months Ended June 30, 2006	Payments during the Six Months Ended June 30, 2006	Liability as of June 30, 2006
Termination of leases related to office closures	$ 26,962 (2)	$ 277 (4)	$ (1,530)	$ 25,709 (2)

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(1) Excludes liabilities related to discontinued operations totaling $1,269 and $1,827 as of June 30, 2007 and January 1, 2007, respectively.

(2) Excludes liabilities related to discontinued operations totaling $2,965 and $2,511 as of June 30, 2006 and January 1, 2006, respectively.

(3) Includes $1,374 related to the Consumer Guides segment and $1,230 related to Corporate.

(4) Includes $270 related to the Consumer Guides segment and $7 related to Corporate.

The remaining liability related to real estate lease commitments for space that the Company no longer occupies, is expected to be paid through 2015. The employee-related termination costs are expected to be paid through 2008. To reduce the lease related costs, the Company has aggressively pursued subleases of its available office space. These leases have been recorded at their net present value amounts and are net of sublease income amounts. The Company evaluates the appropriateness of its reserves on a quarterly basis.

As a result of the implementation of this new plan, the Company has closed 6 office locations and has terminated a total of 107 individuals.

Liabilities of $3,335 and $3,485 representing the current portion of the provision for restructuring costs are included in accrued expenses and other on the condensed consolidated balance sheets as of June 30, 2007 and December 31, 2006, respectively. Liabilities of $20,325 and $21,208 representing the non-current portion of the provision for restructuring costs are included in other non-current liabilities on the condensed consolidated balance sheets as of June 30, 2007 and December 31, 2006, respectively.

11. Income per Common Share

Income per common share for the six months ended June 30, 2007 and 2006 has been determined based on net income divided by the weighted average number of common shares outstanding for all periods presented.

The securities that could potentially dilute basic earnings per share in the future consist of approximately 1,645,000 warrants at June 30, 2007 and 2006, and 3,063,777 and 3,383,963 stock options at June 30, 2007 and 2006, respectively.

On August 1, 2007, the Company effected a one-for-six reverse stock split. All references to share data above have been restated to reflect the reverse stock split. See Note 16 for further details.

12. Commitments and Contingencies

The Company is involved in ordinary and routine litigation incidental to its business. In the opinion of management, there is no pending legal proceeding that would have a material adverse effect on the condensed consolidated financial statements of the Company.

In 2005, the Company sold substantially all of the assets of Workplace Learning for the assumption of ongoing liabilities while retaining a secondary liability as the assignor of the building and satellite time leases. The Company received a third party guaranty of up to $10,000 against those lease obligations to reimburse the Company for lease payments made (the Guaranty). In the first half of 2006, the Company made payments on behalf of Workplace Learning pursuant to its secondary liability. During the second quarter of 2006, the Company recorded a liability for the fair value of the lease payments, net of sublease income, related to its secondary liability on the lease payments. At that time, the Company also recorded a receivable of $10,000 for the amount due from the third party guarantor for the lease payments. As a result of recording the receivable and liability during the second quarter, the Company has recorded a charge of approximately $7,200 to discontinued operations. In the second half of 2006, the Company commenced a lawsuit to collect on the Guaranty. During the fourth quarter of 2006, the Company determined that it was not probable that the third party would remit payment, as required under the Guaranty, and fully reserved for the $10,000 receivable with a charge to discontinued operations as of December 31, 2006. The Company continues to exercise all available legal remedies against the third party guarantor and to fulfill its secondary obligation regarding the Workplace Learning leases.

At June 30, 2007 and December 31, 2006, the Company has recorded a total liability of $14,997 and $16,156, respectively, for the fair value of the future lease payments, net of estimated sublease income, in the accompanying condensed consolidated balance sheets.

13. Business Segment Information

In the fourth quarter of 2006, the Company announced that it would classify the results of operations of its Education segment as discontinued operations, due to the Company actively pursuing the sale of this segment. The Company s Education segment was comprised of Channel One, a proprietary network for secondary schools; Films Media Group, a leading source of educational video; and PRIMEDIA Healthcare, a medical education business. During the second quarter of 2007, the Company completed the sales of Channel One and Films Media Group.

In February 2007, the Company announced that its Board of Directors had authorized the Company to explore the sale of its Enthusiast Media segment. PRIMEDIA retained Goldman Sachs and Lehman Brothers to manage this process. In May 2007, the Company entered into an agreement to sell the Enthusiast Media Segment for $1,177,900 to Source Interlink Companies, Inc., subject to certain post-closing adjustments. The sale is was completed on August 1, 2007. See Note 16.

The operating results of the Enthusiast Media and Education segments have been classified as discontinued operations for all periods presented.

The Company operates in one segment, the Consumer Guides segment, and has a Corporate function, which supports the Consumer Guides segment as well as the Enthusiast Media and Education segments, which are included in discontinued operations. The Consumer Guides segment is the nation s largest publisher and distributor of free publications, including *Apartment Guide, New Home Guide* and *Auto Guide* and operates related Internet sites.

Information regarding the operations of the Company is set forth below based primarily on the nature of the targeted audience. Corporate overhead represents items not allocated to other business segments.

PRIMEDIA evaluates performance based on several factors, of which the financial measure is segment earnings before interest, taxes, depreciation, amortization and other charges (Segment EBITDA). Other charges include non-cash compensation, provision for restructuring costs and loss on sale of businesses.

	Three Months Ended June 30, 2007	2006	Six Months Ended June 30, 2007	2006
Revenues, net:				
Consumer Guides	$ 81,570	$ 81,283	$ 161,614	$ 162,685
Segment EBITDA:(1)				
Consumer Guides	$ 18,251	$ 18,176	$ 37,652	$ 35,911
Corporate Overhead	(7,041)	(9,009)	(13,777)	(16,919)
Segment EBITDA	11,210	9,167	23,875	18,992
Depreciation and amortization of property and equipment	3,286	3,377	6,399	6,041
Amortization of intangible assets and other	856	716	1,592	1,394
Other charges	1,412	1,802	3,162	2,842
Operating income	5,656	3,272	12,722	8,715
Other income (expense):				
Interest expense	(29,031)	(32,176)	(58,111)	(63,633)
Amortization of deferred financing costs	(584)	(657)	(1,168)	(1,315)
Other income, net	1,934	629	3,820	785
Loss from continuing operations before benefit for income taxes	$ (22,025)	$ (28,932)	$ (42,737)	$ (55,448)

(1) Segment EBITDA represents the segments earnings before interest, taxes, depreciation, amortization and other charges. Segment EBITDA is not intended to be and should not be considered as an alternative to net income or loss (as determined in conformity with generally accepted accounting principles), or as an indicator of the Company s operating performance. Segment EBITDA is presented herein because the Company s chief operating decision maker evaluates and measures each business unit s performance based on its Segment EBITDA results. PRIMEDIA believes that Segment EBITDA is an accurate indicator of its segments results, because it focuses on revenue and operating cost items driven by each operating managers performance, and excludes items largely outside of the operating managers control. Segment EBITDA as presented may not be comparable to similarly titled measures reported by other companies since not all companies necessarily calculate Segment EBITDA in an identical manner, and therefore, is not necessarily an accurate measure of comparison between companies.

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14. Financial Information for Guarantors of the Company s Debt

The following consolidated financial information is required to be disclosed as the Company had outstanding registered debt as of June 30, 2007. The registered debt is comprised of all of the Company s Senior Notes as described in Note 8. The information that follows presents consolidating financial information as of June 30, 2007 and December 31, 2006 and for the three and six months ended June 30, 2007 and 2006 for a) PRIMEDIA Inc. (as the Issuer), b) the guarantor subsidiaries, which are, with limited exceptions, the restricted subsidiaries, represent the core PRIMEDIA businesses and exclude investment and other development properties included in the unrestricted category, c) the non-guarantor subsidiaries (primarily representing Internet assets and businesses, new launches and other properties under evaluation for turnaround or shutdown and foreign subsidiaries), which are with limited exceptions the unrestricted subsidiaries, d) elimination entries and e) the Company on a consolidated basis. Corporate operating expenses have been included in the operations of the guarantor subsidiaries. These reclassifications are in compliance with our debt agreements and have not had a material effect on the Company s debt covenant ratios as defined in the bank credit facilities. Certain 2006 amounts have been recast to conform to the 2007 presentation.

The consolidating financial information includes certain allocations of revenues, expenses, assets and liabilities based on management s best estimates which are not necessarily indicative of financial position, results of operations and cash flows that these entities would have achieved on a stand-alone basis and should be read in conjunction with the consolidated financial statements of the Company. The intercompany balances in the accompanying consolidating financial statements include cash management activities, management fees, cross promotional activities and other intercompany charges between PRIMEDIA Inc. and the business units and among the business units. The non-guarantor subsidiary results of operations include: internet operations, foreign operations, certain distribution operations, certain start-up magazine businesses, revenues and related expenses derived from the licensing of certain products of guarantor subsidiaries and expenses associated with the cross promotion by the guarantor subsidiaries of the activities of the non-guarantor subsidiaries. The transactions described above are billed, by the Company, at what the Company believes are market rates. All intercompany related activities are eliminated in consolidation. Consumer Source Inc. (formerly known as PRIMEDIA Companies Inc.) includes all of the businesses and related operations of PRIMEDIA Inc. The operating results of Consumer Source Inc. are the same as consolidated PRIMEDIA Inc., and their balance sheets are substantially the same, except that PRIMEDIA Inc. holds all of the Company s bank credit facilities, Senior Notes indebtedness, capital stock accounts and other miscellaneous balance sheet accounts.

The Company is herewith providing detailed information and disclosure as to the methodology used in determining compliance with the leverage ratio in the credit facilities agreement. Under its bank credit facilities and Senior Note agreements, the Company is allowed to designate certain businesses as unrestricted subsidiaries to the extent that the value of those businesses does not exceed the permitted amounts, as defined in these agreements. The Company has designated certain of its businesses as unrestricted (the Unrestricted Group), which primarily represent Internet businesses, trademark and content licensing and service companies, new launches (including traditional start-ups), other properties under evaluation for turnaround or shutdown and foreign subsidiaries. Except for those specifically designated by the Company as unrestricted, all businesses of the Company are restricted (the Restricted Group). Indebtedness under the bank credit facilities and Senior Note agreements is guaranteed by each of the Company s 100%-owned domestic subsidiaries in the Restricted Group in accordance with the provisions and limitations of the Company s bank credit facilities and Senior Note agreements. The guarantees are full, unconditional and joint and several. The Unrestricted Group does not guarantee the bank credit facilities or Senior Notes. For purposes of determining compliance with certain financial covenants under the Company s bank credit facilities, the Unrestricted Group s results (positive or negative) are not reflected in the Consolidated EBITDA of the Restricted Group which, as defined in the bank credit facilities agreement, excludes losses of the Unrestricted Group, non-cash charges and restructuring charges and is adjusted primarily for the trailing four quarters results of acquisitions and divestitures and estimated savings for acquired business.

PRIMEDIA INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATING BALANCE SHEET
(UNAUDITED) (RESTATED)
June 30, 2007
(dollars in thousands)

	PRIMEDIA Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	PRIMEDIA Inc. and Subsidiaries
ASSETS					
Current assets:					
Cash and cash equivalents	$ 104,186	$ 3,949	$ 2,905	$	$ 111,040
Accounts receivable, net		24,080	4,484		28,564
Inventories		443			443
Prepaid expenses and other	6,047	4,238	4,900		15,185
Assets of businesses held for sale		708,812	173,204		882,016
Total current assets	110,233	741,522	185,493		1,037,248
Property and equipment, net	3,628	8,072	9,378		21,078
Investment in and advances to subsidiaries	459,086	(10,023)		(449,063)	
Intangible assets, net		17,576	8,412		25,988
Goodwill		111,770	21,363		133,133
Other non-current assets	14,630	1,147			15,777
Total Assets	$ 587,577	$ 870,064	$ 224,646	$ (449,063)	$ 1,233,224
LIABILITIES AND SHAREHOLDERS DEFICIENCY					
Current liabilities:					
Accounts payable	$ 2,559	$ 6,823	$ 1,434	$	$ 10,816
Intercompany payables	(407,327)	(318,335)	715,639	10,023	
Accrued expenses and other	32,037	11,106	2,698		45,841
Deferred revenues	1,700	135	89		1,924
Current maturities of long-term debt	5,065	112			5,177
Liabilities of businesses held for sale		166,426	36,954		203,380
Total current liabilities	(365,966)	(133,733)	756,814	10,023	267,138
Long-term debt	1,311,926	100			1,312,026
Intercompany notes payable		205,282		(205,282)	
Deferred revenues	11,900				11,900
Deferred income taxes		12,322			12,322
Other non-current liabilities	57,903	121			58,024
Total Liabilities	1,015,763	84,092	756,814	(195,259)	1,661,410
Shareholders deficiency:					
Common stock	455				455
Additional paid-in capital	2,370,063				2,370,063
Accumulated deficit	(2,722,827)	785,972	(532,168)	(253,804)	(2,722,827)
Common stock in treasury, at cost	(75,877)				(75,877)
Total Shareholders Deficiency	(428,186)	785,972	(532,168)	(253,804)	(428,186)
Total Liabilities and Shareholders Deficiency	$ 587,577	$ 870,064	$ 224,646	$ (449,063)	$ 1,233,224

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PRIMEDIA INC. AND SUBSIDIARIES
CONDENSED STATEMENT OF CONSOLIDATING OPERATIONS
(UNAUDITED) (RESTATED)
For the Three Months Ended June 30, 2007
(dollars in thousands)

	PRIMEDIA Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	PRIMEDIA Inc. and Subsidiaries
Revenues, net:	$	$ 50,329	$ 33,084	$ (1,843)	$ 81,570
Operating costs and expenses:					
Cost of goods sold (exclusive of depreciation and amortization of property and equipment)		7,700	958		8,658
Marketing and selling		16,317	7,498		23,815
Distribution and circulation		9,135	12,685		21,820
Editorial		1,404	274		1,678
Other general expenses		(9,753)	18,944	(1,843)	7,348
Corporate administrative expenses (including non-cash compensation)		6,249	1,189		7,438
Depreciation and amortization of property and equipment		1,300	1,986		3,286
Amortization of intangible assets and other		583	273		856
Provision for restructuring costs		1,015			1,015
Operating income (loss)		16,379	(10,723)		5,656
Other income (expense):					
Interest expense	(29,022)	(9)			(29,031)
Amortization of deferred financing costs	(584)				(584)
Intercompany management fees and interest	9,356	(9,356)			
Other income (expense), net		2,019	(85)		1,934
Income (loss) from continuing operations before (provision) benefit for income taxes	(20,250)	9,033	(10,808)		(22,025)
(Provision) benefit for income taxes		9,596	(105)		9,491
Equity in earnings (losses) of subsidiaries	25,923	(12,004)		(13,919)	
Income (loss) from continuing operations	5,673	6,625	(10,913)	(13,919)	(12,534)
Discontinued operations, net of tax		19,298	(1,091)		18,207
Net income (loss)	$ 5,673	$ 25,923	$ (12,004)	$ (13,919)	$ 5,673

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PRIMEDIA INC. AND SUBSIDIARIES
CONDENSED STATEMENT OF CONSOLIDATING OPERATIONS
(UNAUDITED) (RESTATED)
For the Six Months Ended June 30, 2007
(dollars in thousands)

	PRIMEDIA Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	PRIMEDIA Inc. and Subsidiaries
Revenues, net:	$	$ 101,604	$ 65,962	$ (5,952)	$ 161,614
Operating costs and expenses:					
Cost of goods sold (exclusive of depreciation and amortization of property and equipment)		15,396	1,862		17,258
Marketing and selling		35,074	11,139		46,213
Distribution and circulation		14,717	27,293		42,010
Editorial		2,969	475		3,444
Other general expenses		(18,876)	39,865	(5,952)	15,037
Corporate administrative expenses (including non-cash compensation)		12,087	2,248		14,335
Depreciation and amortization of property and equipment		2,596	3,803		6,399
Amortization of intangible assets and other		1,108	484		1,592
Provision for restructuring costs		2,604			2,604
Operating income (loss)		33,929	(21,207)		12,722
Other income (expense):					
Interest expense	(58,092)	(19)			(58,111)
Amortization of deferred financing costs	(1,168)				(1,168)
Intercompany management fees and interest	16,662	(16,662)			
Other income (expense), net		3,922	(102)		3,820
Income (loss) from continuing operations before (provision) benefit for income taxes	(42,598)	21,170	(21,309)		(42,737)
(Provision) benefit for income taxes		16,297	(350)		15,947
Equity in earnings (losses) of subsidiaries	152,925	(24,393)		(128,532)	
Income (loss) from continuing operations	110,327	13,074	(21,659)	(128,532)	(26,790)
Discontinued operations, net of tax		139,851	(2,734)		137,117
Net income (loss)	$ 110,327	$ 152,925	$ (24,393)	$ (128,532)	$ 110,327

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PRIMEDIA INC. AND SUBSIDIARIES
CONDENSED STATEMENT OF CONSOLIDATING CASH FLOWS
(UNAUDITED) (RESTATED)
For the Six Months Ended June 30, 2007
(dollars in thousands)

	PRIMEDIA Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	PRIMEDIA Inc. and Subsidiaries
Operating activities:					
Net income (loss)	$ 110,327	$ 152,925	$ (24,393)	$ (128,532)	$ 110,327
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities	(78,348)	(127,624)	6,773	112,651	(86,548)
Changes in operating assets and liabilities	(31,979)	8,031	(22,463)		(46,411)
Net cash provided by (used in) operating activities		33,332	(40,083)	(15,881)	(22,632)
Investing activities:					
Additions to property, equipment and other		(8,095)	(3,895)		(11,990)
Proceeds from sales of businesses		170,602	4,789		175,391
Payments for businesses acquired, net of cash acquired		(17,812)	(13,846)		(31,658)
Net cash provided by (used in) investing activities		144,695	(12,952)		131,743
Financing activities:					
Intercompany activity	105,783	(177,391)	55,727	15,881	
Borrowings under credit agreements	32,800				32,800
Repayments of borrowings under credit agreements	(36,300)				(36,300)
Proceeds from issuances of common stock, net	286				286
Capital lease payments		(543)	(28)		(571)
Other		(114)			(114)
Net cash provided by (used in) financing activities	102,569	(178,048)	55,699	15,881	(3,899)
Increase (decrease) in cash and cash equivalents	102,569	(21)	2,664		105,212
Cash and cash equivalents, beginning of period	1,617	3,970	241		5,828
Cash and cash equivalents, end of period	$ 104,186	$ 3,949	$ 2,905	$	$ 111,040

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PRIMEDIA INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATING BALANCE SHEET
December 31, 2006
(dollars in thousands)

	PRIMEDIA Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Elimination	PRIMEDIA Inc. and Subsidiaries
ASSETS					
Current assets:					
Cash and cash equivalents	$ 1,617	$ 3,970	$ 241	$	$ 5,828
Accounts receivable, net		98,268	17,016		115,284
Inventories		12,283	695		12,978
Prepaid expenses and other	2,740	13,561	2,676		18,977
Assets of businesses held for sale		170,037			170,037
Total current assets	4,357	298,119	20,628		323,104
Property and equipment, net	2,590	31,337	12,463		46,390
Investment in and advances to subsidiaries	1,161,383	40,986		(1,202,369)	
Intangible assets, net		126,854	61,033		187,887
Goodwill		567,605	106,533		674,138
Other non-current assets	15,896	6,398	516		22,810
Total Assets	$ 1,184,226	$ 1,071,299	$ 201,173	$ (1,202,369)	$ 1,254,329
LIABILITIES AND SHAREHOLDERS DEFICIENCY					
Current liabilities:					
Accounts payable	$ 9,189	$ 34,784	$ 3,706	$	$ 47,679
Intercompany payables	297,495	(922,783)	666,274	(40,986)	
Accrued expenses and other	31,578	74,063	6,542		112,183
Deferred revenues	1,738	70,865	6,432		79,035
Current maturities of long-term debt	5,058	988	24		6,070
Liabilities of businesses held for sale		50,300			50,300
Total current liabilities	345,058	(691,783)	682,978	(40,986)	295,267
Long-term debt	1,315,146	1,732	81		1,316,959
Intercompany notes payable		2,091,297		(2,091,297)	
Deferred revenues	12,750				12,750
Deferred income taxes		72,060			72,060
Other non-current liabilities	34,502	20,132	25,889		80,523
Total Liabilities	1,707,456	1,493,438	708,948	(2,132,283)	1,777,559
Shareholders deficiency:					
Common stock	455				455
Additional paid-in capital	2,369,220				2,369,220
Accumulated deficit	(2,817,028)	(422,139)	(507,775)	929,914	(2,817,028)
Common stock in treasury, at cost	(75,877)				(75,877)
Total Shareholders Deficiency	(523,230)	(422,139)	(507,775)	929,914	(523,230)
Total Liabilities and Shareholders Deficiency	$ 1,184,226	$ 1,071,299	$ 201,173	$ (1,202,369)	$ 1,254,329

PRIMEDIA INC. AND SUBSIDIARIES
CONDENSED STATEMENT OF CONSOLIDATING OPERATIONS
(UNAUDITED)
For the Three Months Ended June 30, 2006
(dollars in thousands)

	PRIMEDIA Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	PRIMEDIA Inc. and Subsidiaries
Revenues, net	$	$ 49,855	$ 33,001	$ (1,573)	$ 81,283
Operating costs and expenses:					
Cost of goods sold (exclusive of depreciation and amortization of property and equipment)		8,550	1,321		9,871
Marketing and selling		19,566	2,778		22,344
Distribution and circulation		9,380	11,370		20,750
Editorial		1,610	304		1,914
Other general expenses		(14,110)	23,911	(1,573)	8,228
Corporate administrative expenses (including non-cash compensation)		9,039	1,589		10,628
Depreciation and amortization of property and equipment		1,378	1,999		3,377
Amortization of intangible assets and other		637	79		716
Provision for restructuring costs		155			155
Loss on sale of businesses		28			28
Operating income (loss)		13,622	(10,350)		3,272
Other income (expense):					
Interest expense	(32,164)	(12)			(32,176)
Amortization of deferred financing costs	(657)				(657)
Intercompany management fees and interest	38,253	(35,284)	(2,969)		
Other income (expense), net	699	(70)			629
Income (loss) from continuing operations before (provision) benefit for income taxes	6,131	(21,744)	(13,319)		(28,932)
(Provision) benefit for income taxes		10,019	(139)		9,880
Equity in losses of subsidiaries	(8,246)	(8,453)		16,699	
Loss from continuing operations	(2,115)	(20,178)	(13,458)	16,699	(19,052)
Discontinued operations, net of tax		11,932	5,005		16,937
Net loss	$ (2,115)	$ (8,246)	$ (8,453)	$ 16,699	$ (2,115)

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PRIMEDIA INC. AND SUBSIDIARIES
CONDENSED STATEMENT OF CONSOLIDATING OPERATIONS
(UNAUDITED)
For the Six Months Ended June 30, 2006
(dollars in thousands)

PRIMEDIA Inc.