AKIN GUMP STRAUSS HAUER & FELD LLP
One Bryant Park
New York, New York 10036
Telephone: (212) 872-1000
Facsimile: (212) 872-1002
Ira S. Dizengoff
Arik Preis
Meredith A. Lahaie

Proposed Counsel to the Debtors and Debtors in Possession

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re:	)	Chapter 11
AMERICAN MEDIA, INC., *et al.*,[1]	)	Case No. 10-**[_____]** (__)
Debtors.	)	(Jointly Administered)

DISCLOSURE STATEMENT RELATING TO THE DEBTORS' JOINT PREPACKAGED PLAN OF REORGANIZATION UNDER CHAPTER 11 OF THE BANKRUPTCY CODE

Dated: October 30, 2010

[1] The Debtors in these cases, along with the last four digits of each Debtor's federal tax identification number, are: American Media, Inc. (3383); American Media Operations, Inc. (4424); American Media Consumer Entertainment, Inc. (3852); American Media Consumer Magazine Group, Inc. (3863); American Media Distribution & Marketing Group, Inc. (3860); American Media Mini Mags, Inc. (3854); American Media Newspaper Group, Inc. (3864); American Media Property Group, Inc. (4153); Country Music Media Group, Inc. (2019); Distribution Services, Inc. (1185); Globe Communications Corp. (2593); Globe Editorial, Inc. (3859); Mira! Editorial, Inc. (3841); National Enquirer, Inc. (4097); National Examiner, Inc. (3855); Star Editorial, Inc. (9233); and Weider Publications, LLC (1848). The address for all Debtors is 1000 American Media Way, Boca Raton, FL, 33464.

1016140101117000000000033

October 30, 2010

To: Holders of Term Facility Claims
Holders of PIK Notes Claims
Holders of Subordinated Notes Claims
Holders of 2011 Notes Claims

American Media, Inc. and certain of its affiliates (collectively, the "***Company***") are providing you with this letter and the accompanying materials because records indicate that you may be a creditor entitled to vote to approve the *Debtors' Joint Prepackaged Plan of Reorganization Under Chapter 11 of the Bankruptcy Code*, dated October 30, 2010 (as it may be amended from time to time, the "***Plan***"). The Company is commencing the solicitation of votes to approve the Plan in advance of the Company filing voluntary cases for relief under chapter 11 of title 11 of the United States Code (the "***Bankruptcy Code***").

If the required votes to approve the Plan are received and if certain other pre-filing conditions are met, the Company intends to file voluntary cases under chapter 11 of the Bankruptcy Code to implement the Plan (the "***Chapter 11 Cases***"). Because the Chapter 11 Cases have not been commenced at this time, the *Disclosure Statement Relating to the Debtors' Joint Prepackaged Plan of Reorganization Under Chapter 11 of the Bankruptcy Code* (the "***Disclosure Statement***") has not been approved by the United States Bankruptcy Court for the Southern District of New York (the "***Bankruptcy Court***") as containing "adequate information" within the meaning of Bankruptcy Code section 1125(a). If the Company files the Chapter 11 Cases, it will promptly seek orders of the Bankruptcy Court, among other things, (a) scheduling a combined hearing on the adequacy of the Disclosure Statement and confirmation of the Plan, (b) approving the procedures employed for soliciting votes on the Plan, and (c) confirming the Plan. The Bankruptcy Court may order additional disclosures beyond those contained in the Disclosure Statement provided to you at this time.

YOU HAVE RECEIVED THIS LETTER AND THE ENCLOSED MATERIALS BECAUSE YOU MAY BE ENTITLED TO VOTE ON THE PLAN.

The enclosed materials constitute the Company's "***Solicitation Package***" and consist of the following:

(a) this cover letter;

(b) an appropriate form of ballot (a "***Ballot***") or master ballot (the "***Master Ballot***") and instructions with respect thereto, as applicable (with a pre-addressed, postage-prepaid return envelope);

(c) the solicitation version of the Disclosure Statement; and

(d) the solicitation version of the Plan.

The Company's board of directors has approved the solicitation of votes on the Plan. The Company believes that the acceptance of the Plan is in the best interests of the Holders of Claims against the Company.

THE COMPANY THEREFORE RECOMMENDS THAT ALL PARTIES ENTITLED TO VOTE SUBMIT A TIMELY BALLOT VOTING TO ACCEPT THE PLAN.

The materials in this Solicitation Package are intended to be self-explanatory. If you have any questions, however, please feel free to contact the Company's Voting Agent, Kurtzman Carson Consultants LLC, by (a) writing to American Media Ballot Processing Center, 599 Lexington Avenue, 39th Floor, New York, NY 10022 or (b) calling (877) 833-4150.

THIS SOLICITATION OF VOTES IS BEING CONDUCTED TO OBTAIN SUFFICIENT ACCEPTANCES OF THE PLAN BEFORE THE FILING OF VOLUNTARY CASES UNDER CHAPTER 11 OF THE BANKRUPTCY CODE. BECAUSE THE CHAPTER 11 CASES HAVE NOT YET BEEN COMMENCED, THIS DISCLOSURE STATEMENT HAS NOT BEEN APPROVED BY THE BANKRUPTCY COURT AS CONTAINING ADEQUATE INFORMATION WITHIN THE MEANING OF BANKRUPTCY CODE SECTION 1125(a). FOLLOWING THE COMMENCEMENT OF THE CHAPTER 11 CASES, THE DEBTORS EXPECT TO PROMPTLY SEEK ORDERS OF THE BANKRUPTCY COURT, AMONG OTHER THINGS, (i) APPROVING THIS DISCLOSURE STATEMENT AS CONTAINING ADEQUATE INFORMATION, (ii) APPROVING THE SOLICITATION OF VOTES AS BEING IN COMPLIANCE WITH BANKRUPTCY CODE SECTIONS 1125 AND 1126(b), AND (iii) CONFIRMING THE DEBTORS' JOINT PREPACKAGED PLAN OF REORGANIZATION UNDER CHAPTER 11 OF THE BANKRUPTCY CODE (THE "*PLAN*").

DISCLOSURE STATEMENT, DATED OCTOBER 30, 2010

Solicitation of Votes on the Joint
Prepackaged Plan of Reorganization of

AMERICAN MEDIA, INC., *ETAL.*

from the holders of outstanding

TERM FACILITY CLAIMS
PIK NOTES CLAIMS
SUBORDINATED NOTES CLAIMS
2011 NOTES CLAIMS

THE VOTING DEADLINE TO ACCEPT OR REJECT THE JOINT PREPACKAGED PLAN OF REORGANIZATION IS 5:00 P.M., EASTERN TIME, ON NOVEMBER 15, 2010, UNLESS EXTENDED BY AMERICAN MEDIA, INC.

RECOMMENDATION BY THE DEBTORS
The boards of directors of each of the debtors (collectively, the "***Debtors***") [2] have approved the solicitation, the Plan, and the transactions contemplated thereby, and recommend that all creditors whose votes are being solicited submit Ballots to accept the Plan. Holders of more than two-thirds (2/3) in outstanding principal amount of certain of the Classes (as defined in the Plan) of Claims (as defined in the Plan) entitled to vote on the Plan have already agreed to vote in favor of the Plan.

NEITHER THIS DISCLOSURE STATEMENT (THE "*DISCLOSURE STATEMENT*") NOR THE PLAN HAS BEEN FILED WITH OR REVIEWED BY THE BANKRUPTCY COURT, AND THE SECURITIES TO BE ISSUED ON OR AFTER THE EFFECTIVE DATE WILL NOT HAVE BEEN THE SUBJECT OF A REGISTRATION STATEMENT FILED WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION (THE "SEC") UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE UNDER ANY STATE SECURITIES LAW ("BLUE SKY LAW"). THE DEBTORS ARE RELYING ON SECTIONS 3(A)(9) AND 4(2) OF THE SECURITIES ACT AND SIMILAR BLUE SKY LAW PROVISIONS, AS WELL AS, TO THE EXTENT APPLICABLE, THE EXEMPTION FROM THE SECURITIES ACT AND EQUIVALENT STATE LAW REGISTRATION REQUIREMENTS PROVIDED BY SECTION 1145(A)(1) OF THE BANKRUPTCY CODE, TO EXEMPT FROM REGISTRATION UNDER THE SECURITIES ACT AND BLUE SKY LAW THE OFFER AND SALE OF CERTAIN NEW SECURITIES IN CONNECTION WITH THE SOLICITATION AND THE PLAN.

THE PLAN HAS NOT BEEN APPROVED OR DISAPPROVED BY THE SEC OR ANY STATE SECURITIES COMMISSION AND NEITHER THE SEC NOR ANY STATE SECURITIES COMMISSION HAS PASSED UPON THE ACCURACY OR ADEQUACY OF THE INFORMATION CONTAINED HEREIN. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE. NEITHER THE SOLICITATION NOR THIS DISCLOSURE STATEMENT CONSTITUTES AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY SECURITIES IN ANY STATE OR JURISDICTION IN WHICH SUCH OFFER OR SOLICITATION IS NOT AUTHORIZED.

HOLDERS OF CLAIMS SHOULD NOT CONSTRUE THE CONTENTS OF THIS DISCLOSURE STATEMENT AS PROVIDING ANY LEGAL, BUSINESS, FINANCIAL, OR TAX ADVICE AND SHOULD CONSULT WITH THEIR OWN ADVISORS BEFORE CASTING A VOTE WITH RESPECT TO THE PLAN.

THE NEW COMMON STOCK, THE NEW SECOND LIEN NOTES, THE NEW PIK NOTES AND/OR THE NEW PREFERRED STOCK, IF APPLICABLE, TO BE ISSUED ON THE

---

[2] The Debtors in these cases, along with the last four digits of each Debtor's federal tax identification number, are: American Media, Inc. (3383); American Media Operations, Inc. (4424); American Media Consumer Entertainment, Inc. (3852); American Media Consumer Magazine Group, Inc. (3863); American Media Distribution & Marketing Group, Inc. (3860); American Media Mini Mags, Inc. (3854); American Media Newspaper Group, Inc. (3864); American Media Property Group, Inc. (4153); Country Music Media Group, Inc. (2019); Distribution Services, Inc. (1185); Globe Communications Corp. (2593); Globe Editorial, Inc. (3859); Mira! Editorial, Inc. (3841); National Enquirer, Inc. (4097); National Examiner, Inc. (3855); Star Editorial, Inc. (9233); and Weider Publications, LLC (1848). The address for all Debtors is 1000 American Media Way, Boca Raton, FL, 33464.

EFFECTIVE DATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "*SECURITIES ACT*"), OR SIMILAR STATE SECURITIES OR "BLUE SKY" LAWS. THE ISSUANCE OF SUCH SECURITIES UNDER THE PLAN IS BEING EFFECTED PURSUANT TO THE EXEMPTION UNDER BANKRUPTCY CODE SECTION 1145.

THE NEW COMMON STOCK, THE NEW SECOND LIEN NOTES, THE NEW PIK NOTES AND/OR THE NEW PREFERRED STOCK, IF APPLICABLE, TO BE ISSUED ON THE EFFECTIVE DATE HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION (THE "*SEC*") OR BY ANY STATE SECURITIES COMMISSION OR SIMILAR PUBLIC, GOVERNMENTAL, OR REGULATORY AUTHORITY, AND NEITHER THE SEC NOR ANY SUCH AUTHORITY HAS PASSED UPON THE ACCURACY OR ADEQUACY OF THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT OR UPON THE MERITS OF THE PLAN. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

CERTAIN STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT, INCLUDING FORECASTED FINANCIAL INFORMATION AND OTHER FORWARD-LOOKING STATEMENTS, ARE BASED ON ESTIMATES AND ASSUMPTIONS. THERE CAN BE NO ASSURANCE THAT SUCH STATEMENTS WILL BE REFLECTIVE OF ACTUAL OUTCOMES. FORWARD-LOOKING STATEMENTS ARE PROVIDED IN THIS DISCLOSURE STATEMENT PURSUANT TO THE SAFE HARBOR ESTABLISHED UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995 AND SHOULD BE EVALUATED IN THE CONTEXT OF THE ESTIMATES, ASSUMPTIONS, UNCERTAINTIES, AND RISKS DESCRIBED HEREIN.

FURTHER, READERS ARE CAUTIONED THAT ANY FORWARD-LOOKING STATEMENTS HEREIN ARE BASED ON ASSUMPTIONS THAT ARE BELIEVED TO BE REASONABLE, BUT ARE SUBJECT TO A WIDE RANGE OF RISKS INCLUDING, BUT NOT LIMITED TO, EACH OF THE OTHER RISKS IDENTIFIED IN THIS DISCLOSURE STATEMENT. DUE TO THESE UNCERTAINTIES, READERS CANNOT BE ASSURED THAT ANY FORWARD-LOOKING STATEMENTS WILL PROVE TO BE CORRECT. THE DEBTORS ARE UNDER NO OBLIGATION TO (AND EXPRESSLY DISCLAIM ANY OBLIGATION TO) UPDATE OR ALTER ANY FORWARD-LOOKING STATEMENTS WHETHER AS A RESULT OF NEW INFORMATION, FUTURE EVENTS, OR OTHERWISE, UNLESS INSTRUCTED TO DO SO BY THE BANKRUPTCY COURT.

HOLDERS OF PREPETITION TRADE CLAIMS, CUSTOMERS AND EMPLOYEES WILL NOT BE IMPAIRED BY THE PLAN, AND AS A RESULT THE RIGHT TO RECEIVE PAYMENT IN FULL ON ACCOUNT OF EXISTING OBLIGATIONS IS NOT ALTERED BY THE PLAN. DURING THE CHAPTER 11 CASES, THE DEBTORS INTEND TO OPERATE THEIR BUSINESSES IN THE ORDINARY COURSE AND WILL SEEK AUTHORIZATION FROM THE BANKRUPTCY COURT TO MAKE PAYMENT IN FULL ON A TIMELY BASIS TO ALL TRADE CREDITORS, CUSTOMERS AND EMPLOYEES OF ALL AMOUNTS DUE PRIOR TO AND DURING THE CHAPTER 11 CASES.

NO INDEPENDENT AUDITOR OR ACCOUNTANT HAS REVIEWED OR APPROVED THE FINANCIAL FORECASTS OR THE LIQUIDATION ANALYSIS HEREIN.

THE DEBTORS HAVE NOT AUTHORIZED ANY PERSON TO GIVE ANY INFORMATION OR ADVICE, OR TO MAKE ANY REPRESENTATION, IN CONNECTION WITH THE PLAN AND THIS DISCLOSURE STATEMENT.

THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE AS OF THE DATE HEREOF UNLESS OTHERWISE SPECIFIED. THE TERMS OF THE PLAN GOVERN IN THE EVENT OF ANY INCONSISTENCY WITH THE SUMMARIES IN THIS DISCLOSURE STATEMENT.

THE INFORMATION IN THIS DISCLOSURE STATEMENT IS BEING PROVIDED SOLELY FOR PURPOSES OF VOTING TO ACCEPT OR REJECT THE PLAN OR OBJECTING TO CONFIRMATION. NOTHING IN THIS DISCLOSURE STATEMENT MAY BE USED BY ANY PARTY FOR ANY OTHER PURPOSE.

THIS DISCLOSURE STATEMENT SHALL NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO PURCHASE FOR CASH ANY OF THE NEW FIRST LIEN NOTES OR THE NEW SECOND LIEN NOTES. ANY OFFERS OF THE NEW FIRST LIEN NOTES AND THE NEW SECOND LIEN NOTES FOR CASH WILL BE MADE ONLY BY MEANS OF A PRIVATE OFFERING MEMORANDUM.

ALL EXHIBITS TO THE DISCLOSURE STATEMENT ARE INCORPORATED INTO AND ARE A PART OF THIS DISCLOSURE STATEMENT AS IF SET FORTH IN FULL HEREIN.

<u>INTERNAL REVENUE SERVICE CIRCULAR 230 NOTICE</u>: TO ENSURE COMPLIANCE WITH INTERNAL REVENUE SERVICE CIRCULAR 230, HOLDERS OF CLAIMS AND PRECONFIRMATION EQUITY INTERESTS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF FEDERAL TAX ISSUES CONTAINED OR REFERRED TO IN THIS DISCLOSURE STATEMENT IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, BY HOLDERS OF CLAIMS OR PRECONFIRMATION EQUITY INTERESTS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON THEM UNDER THE INTERNAL REVENUE CODE; (B) SUCH DISCUSSION IS WRITTEN IN CONNECTION WITH THE PROMOTION OR MARKETING BY THE DEBTORS OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) HOLDERS OF CLAIMS AND PRECONFIRMATION EQUITY INTERESTS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

INTRODUCTION

IMPORTANT — PLEASE READ

The Debtors submit this Disclosure Statement in connection with (i) the solicitation from eligible holders of acceptances ("***Acceptances***") of the Plan to be filed by the Debtors with the Bankruptcy Court and (ii) the hearing to consider confirmation of the Plan (the "***Confirmation Hearing***"), which will be scheduled by the Bankruptcy Court after the commencement of the Chapter 11 Cases. The date on which the Clerk of the Bankruptcy Court enters the order confirming the Plan pursuant to Bankruptcy Code section 1129 (the "***Confirmation Order***") shall be the "***Confirmation Date***." The date on which the Plan is consummated shall be the "***Effective Date***."

This solicitation of votes is being conducted at this time in order to obtain sufficient votes to enable the Plan to be confirmed by the Bankruptcy Court. Capitalized terms used in this Disclosure Statement but not defined herein have the meanings ascribed to them in the Plan. **Please note that to the extent any inconsistencies exist between this Disclosure Statement and the Plan, the Plan shall govern.**

The Debtors are commencing this solicitation after extensive discussions among the Debtors and certain of their major creditors. On October 30, 2010, the Debtors entered into the Restructuring Support Agreement (as defined below) with certain holders of their prepetition unsecured issuances (such holders, the "***Committee***") as well as certain other prepetition Term Facility Lenders and Revolver Lenders. The parties to the Restructuring Support Agreement hold more than two-thirds (2/3) in amount of the Claims in Class 6, as well as nearly one-half (1/2) in amount of the Claims in Class 2.[3]

Pursuant to the Restructuring Support Agreement, the Committee agreed to support the restructuring of the Debtors' various debt obligations on the terms set forth herein and in the Plan (the "***Financial Restructuring***"). The Debtors agreed to seek to implement the Financial Restructuring through the solicitation of votes to accept or reject the Plan and the commencement of the Chapter 11 Cases, all in accordance with the Bankruptcy Code (including, without limitation, section 1125 thereof).

The Plan is premised upon the limited substantive consolidation of the Debtors only for purposes of voting on, and distributions under, the Plan. The Debtors propose procedural substantive consolidation to avoid the inefficiency of proposing, voting on, and making distributions in respect of entity-specific claims. Accordingly, on the Effective Date, all of the Debtors and their estates shall, only for purposes of the Plan, be deemed merged and (a) all assets and liabilities of the Debtors are treated only for purposes of the Plan as though they were merged, (b) all guarantees of the Debtors of payment, performance or collection of obligations of any other Debtor shall be eliminated and cancelled, (c) all joint obligations, and all multiple Claims against the Debtors, shall be considered a single claim against the Debtors, and (d) any Claim filed in the Debtors' Chapter 11 Cases shall be deemed filed against the consolidated Debtors and a single obligation of the consolidated Debtors on and after the Effective Date. Unless otherwise set forth in the Plan, such substantive consolidation shall not (other than for voting, treatment, and distribution purposes under the Plan) affect (i) the legal and corporate structures of the Debtors, (ii) any intercompany claims, or (iii) the substantive rights of

[3] Between October 30, 2010 and the Petition Date, the Debtors anticipate that additional Holders of Class 2 Claims will execute and become parties to the Restructuring Support Agreement.

any creditor. If any party in interest challenges the proposed limited substantive consolidation, the Debtors reserve the right to establish at the Confirmation Hearing the ability to confirm the Plan on an entity-by-entity basis.

WHO IS ENTITLED TO VOTE: Under the Bankruptcy Code, only Holders of Claims or Interests in "impaired" Classes are entitled to vote on the Plan (unless, for reasons discussed in more detail below, such Holders are deemed to accept or reject the Plan). Under Bankruptcy Code section 1124, a Class of Claims or Interests is deemed to be "impaired" under the Plan unless (i) the Plan leaves unaltered the legal, equitable and contractual rights to which such Claim or Interest entitles the Holder thereof or (ii) notwithstanding any legal right to an accelerated payment of such Claim or Interest, the Plan cures all existing defaults (other than defaults resulting from the occurrence of events of bankruptcy) and reinstates the maturity of such Claim or Interest as it existed before the default.

Through this vote, the Debtors' goal is to consummate a financial restructuring transaction that will significantly reduce the Debtors' outstanding debt and put the Debtors in a stronger financial position for future growth and stability.

Pursuant to the Plan, and as discussed more fully below, on the Effective Date, the Reorganized Debtors shall issue the following: (i) New First Lien Notes; (ii) New Second Lien Notes; and (iii) New Common Stock. In addition, to the extent applicable, the Debtors may also issue New PIK Notes and/or New Preferred Stock.

The following table summarizes the treatment and estimated recovery for creditors and stockholders under the Plan. For a complete explanation, please refer to the discussion in Section IV below, entitled "THE PLAN," and the Plan itself:

Class	Description	Treatment	Entitled to Vote	Estimated Recovery
Class 1	Priority Non-Tax Claims	Except to the extent that a Holder of an Allowed Priority Non-Tax Claim against any of the Debtors agrees to a different treatment, in full and final satisfaction, settlement, release and discharge of and in exchange for each and every Allowed Class 1 Claim, each such Holder shall receive, in full satisfaction of such Claim, Cash in an amount equal to such Claim, on or as soon as reasonably practicable after the latest of (i) the Effective Date, (ii) the date such Claim becomes Allowed, and (iii) the date for payment provided by any agreement or understanding between the applicable Debtor and the Holder of such Claim.	No (deemed to accept).	100%

Class	Description	Treatment	Entitled to Vote	Estimated Recovery
Class 2	Term Facility Claims	On the Effective Date or as soon thereafter as is reasonably practicable, in full and final satisfaction, settlement, release and discharge of and in exchange for each and every Allowed Class 2 Claim, each Holder of an Allowed Term Facility Claim shall receive its *pro rata* share, on a dollar for dollar basis of the following in an aggregate amount equal to the Allowed amount of all Term Facility Claims: (i) Cash, in an amount to be determined by the Debtors but in any event no less than 70% of the amount of all Allowed Term Facility Claims; and (ii) New Second Lien Notes; provided however, that the aggregate amount of New Second Lien Notes distributed to Term Facility Lenders shall not be greater than the Backstop Commitment; provided further however, that notwithstanding the foregoing, and for the avoidance of doubt, the unpaid reasonable and documented out-of-pocket fees and expenses (including legal fees and expenses) of the Administrative Agent through and including the Effective Date shall be paid in full, in Cash to the Administrative Agent. In addition, and pursuant to the provisions of Section 5.4 of the Plan, each Holder of a Term Facility Claim (other than a Backstop Party) shall have the right to require that the Backstop Parties purchase in Cash from such Holder, on the Effective Date, its *pro rata* share of the New Second Lien Notes which it receives pursuant to Section 4.2(b) of the Plan for the face amount of such Holder's New Second Lien Notes.	Yes.	100%
Class 3	Revolver Claims	On the Effective Date or as soon thereafter as is reasonably practicable, in full and final satisfaction, settlement, release and discharge of and in exchange for each and every Allowed Class 3 Claim, each Holder of an Allowed Revolver Claim shall receive payment in full, in Cash.	No (deemed to accept).	100%
Class 4	Other Secured Claims	On the Effective Date or as soon thereafter as is reasonably practicable, in full and final satisfaction, settlement, release and discharge of and in exchange for each and every Allowed Class 4 Claim, each Holder of an Allowed Other Secured Claim shall, at the Debtors' option, (i) receive payment in full, in Cash, (ii) be reinstated pursuant to Bankruptcy Code section 1124, or (iii) receive such other recovery to be determined by the Debtors in their sole discretion.	No (deemed to accept).	100%

Class	Description	Treatment	Entitled to Vote	Estimated Recovery
Class 5	PIK Notes Claims	On the Effective Date, or as soon thereafter as is reasonably practicable, in full and final satisfaction, settlement, release and discharge of and in exchange for each and every Allowed Class 5 Claim, each Holder of an Allowed PIK Notes Claim shall receive, at the Debtors' option, but with the Committee's consent, as described in the succeeding sentence, its *pro rata* share of $24,790,102, plus accrued and unpaid interest, in the form of either (i) New Second Lien Notes, (ii) New PIK Notes, (iii) New Preferred Stock, or (iv) a combination of the foregoing. The Debtors shall require the consent of the Committee (which consent shall not be unreasonably withheld or delayed) in determining the form of consideration to be distributed pursuant to Section 4.5(b) of the Plan; *provided, however*, that (i) the Committee may not require the Debtors to issue a security or debt instrument to the extent that the terms thereof violate the terms of any Plan Supplement Document and (ii) the consent of the members of the Committee holding two-thirds in principal amount of the Allowed PIK Notes Claims held by the Committee at the time the determination is made as to the form of the PIK Notes Claims distribution shall be required in connection with Section 4.5(b) of the Plan.	Yes.	100%
Class 6	Subordinated Notes Claims	On the Effective Date, or as soon thereafter as is reasonably practicable, in full and final satisfaction, settlement, release and discharge of and in exchange for each and every Allowed Class 6 Claim, each Holder of a Subordinated Notes Claim shall receive its *pro rata* share of the Class 6 Distribution Pool.	Yes.	53.5%
Class 7	2011 Notes Claims	On the Effective Date, or as soon thereafter as is reasonably practicable, in full and final satisfaction, settlement, release and discharge of and in exchange for each and every Allowed Class 7 Claim, each Holder of an Allowed 2011 Notes Claim shall receive its *pro rata* share of the Class 7 Distribution Pool.	Yes.	53.5%
Class 8	General Unsecured Claims	In full and final satisfaction, settlement, release and discharge of and in exchange for each and every Allowed Class 8 Claim, each Holder of an Allowed General Unsecured Claim shall receive payment in full, in Cash of the unpaid portion of its Allowed General Unsecured Claim on the latest of (i) the Effective Date (or as soon thereafter as is reasonably practicable), (ii) the	No (deemed to accept).	100%

Class	Description	Treatment	Entitled to Vote	Estimated Recovery
		date on which such Claim becomes Allowed or would otherwise be paid in the ordinary course of the Debtors' business, or (iii) as otherwise agreed by the Debtors and the Holder of such Claim; provided, however, that the Debtors may seek authority from the Bankruptcy Court to pay certain General Unsecured Claims in advance of the Effective Date in the ordinary course of business. The Debtors reserve their rights, however, to dispute the validity of any General Unsecured Claim, whether or not objected to prior to the Effective Date.		
Class 9	Intercompany Claims	On or as soon as practicable after the Effective Date, in full and final satisfaction, settlement, release and discharge of and in exchange for each and every Allowed Class 9 Claim, all Allowed Intercompany Claims will be adjusted, continued, or discharged to the extent determined appropriate by the Debtors. Any such transaction may be effected on or subsequent to the Effective Date without any further action by the stockholders of the Reorganized Debtors.	No (deemed to accept).	N/A
Class 10	Interests	On the Effective Date, all Interests in AMI shall be cancelled and shall be of no further force and effect, whether surrendered for cancellation or otherwise. Holders of Interests in AMI shall neither receive distributions nor retain any property under the Plan on account of such Interests in AMI.	No (deemed to reject).	0%

WHERE TO FIND ADDITIONAL INFORMATION: For detailed historical and forecasted financial information and financial estimates, see Section VII below, entitled "FINANCIAL INFORMATION, FORECASTS, AND VALUATION ANALYSIS" and the Pro Forma Financial Forecast Analysis (the "***Forecast***") attached hereto as Exhibit "G".

The Debtors' legal advisor is Akin Gump Strauss Hauer & Feld LLP, and their financial advisor is Moelis & Company LLC. The Debtors' legal advisor can be contacted at:

Akin Gump Strauss Hauer & Feld LLP
One Bryant Park
New York, NY 10036
(212) 872-1000
Attn: Ira S. Dizengoff
Arik Preis
Meredith A. Lahaie

Summary of Voting Procedures

To be counted, your vote (or the Master Ballot) cast on your behalf) must be received, pursuant to the following instructions, by Kurtzman Carson Consultants LLC (the "***Voting Agent***") at the following address, before the Voting Deadline of 5:00 P.M. (Eastern Time) on November 15, 2010 (the "***Voting Deadline***"):

American Media Ballot Processing Center
Kurtzman Carson Consultants LLC
599 Lexington Avenue, 39th Floor
New York, NY 10022

Confirm by Telephone: (877) 833-4150.

ONLY CERTAIN HOLDERS OF CLAIMS AGAINST THE DEBTORS ARE ELIGIBLE TO VOTE ON THE PLAN, ATTACHED TO THIS DISCLOSURE STATEMENT AS EXHIBIT "A," AND SUMMARIZED BELOW UNDER THE SECTION ENTITLED "THE PLAN." **IT IS IMPORTANT THAT THE HOLDERS OF CLAIMS IN CLASS 2 (TERM FACILITY CLAIMS), CLASS 5 (PIK NOTES CLAIMS), CLASS 6 (SUBORDINATED NOTES CLAIMS) AND CLASS 7 (2011 NOTES CLAIMS) EXERCISE THEIR RIGHTS TO VOTE TO ACCEPT OR REJECT THE PLAN.**

Please complete the information requested on the Ballot, sign, date and indicate your vote on the Ballot, and return your completed Ballot in the enclosed pre-addressed postage-paid envelope so that it is actually received by the Voting Agent before the Voting Deadline.

If the return envelope provided with your Ballot is addressed to your brokerage firm or bank or its agent (each, a "*Nominee*"), you must allow sufficient time for your Nominee to cast your vote on a Master Ballot so that it is actually received by the Voting Agent on or before the Voting Deadline **(5:00 P.M., Eastern Time, on November 15, 2010).**

The Company is relying on sections 3(a)(9) and 4(2) of the Securities Act and similar "blue sky" law provisions, as well as, to the extent applicable, the exemption from the Securities Act and equivalent state law registration requirements provided by section 1145(a)(1) of the Bankruptcy Code, to exempt from registration under the Securities Act and "blue sky" laws the offer and sale of New Common Stock and New Preferred Stock, if applicable, in connection with the solicitation and the Plan.

IF YOU ARE ENTITLED TO VOTE AND YOU HAVE RETURNED YOUR BALLOT BUT FAILED TO INDICATE ON THE BALLOT WHETHER YOU ACCEPT OR REJECT THE PLAN, YOUR BALLOT WILL NOT BE COUNTED.

* * *

For detailed voting instructions, see Section IX below, entitled “VOTING PROCEDURES AND REQUIREMENTS,” and the instructions on your Ballot.

TABLE OF CONTENTS

Page

I. General Information 1

A. Description of the Debtors 1

1. Business 1

2. Corporate History and Structure 3

3. Selected Financial Information 4

B. Prepetition Indebtedness and Capital Structure 4

1. Equity 4

2. Prepetition Indebtedness 4

(a) 2009 Credit Agreement 4

(b) 2011 Notes 4

(c) PIK Notes 5

(d) Subordinated Notes 5

II. Events Leading to the Commencement of the chapter 11 cases 5

A. Industry-Specific Events 5

B. The 2008/2009 Restructuring 6

C. The Exchange Offer and the Tender Offer 7

D. Prepetition Negotiations 7

E. The Financial Restructuring Transaction 8

1. Restructuring Support Agreement 8

2. New Financing 9

3. Purpose of the Financial Restructuring 12

4. Distributions in Connection with the Financial Restructuring 12

III. Anticipated Events During the Chapter 11 Cases 12

A. Administration of the Plan 12

B. Confirmation Hearing 14

C. Timetable for the Chapter 11 Cases 14

IV. The Plan 14

A. Classification and Treatment of Claims and Equity Interests Under the Plan 14

1. Description of Unclassified Claims 17

(a) Administrative Expense Claims 18
(b) Professional Compensation and Reimbursement Claims 18
(c) Priority Tax Claims 18
2. Description of Classified Claims 19
(a) Priority Non-Tax Claims (Class 1) 19
(b) Term Facility Claims (Class 2) 19
(c) Revolver Claims (Class 3) 20
(d) Other Secured Claims (Class 4) 20
(e) PIK Notes Claims (Class 5) 20
(f) Subordinated Notes Claims (Class 6) 21
(g) 2011 Notes Claims (Class 7) 21
(h) General Unsecured Claims (Class 8) 21
(i) Intercompany Claims (Class 9) 22
(j) Equity Interests in AMI (Class 10) 22
V. MEANS FOR IMPLEMENTATION OF THE PLAN 22
A. Substantive Consolidation 23
B. Corporate Action 23
1. General 23
2. Restated Certificate of Incorporation, New Preferred Stock Certificate of Designation (if Applicable) and Restated Bylaws of Reorganized AMI and the Other Reorganized Debtors 24
3. Boards of Directors of Reorganized AMI and the Other Reorganized Debtors 24
4. Officers of Reorganized AMI and the Other Reorganized Debtors 25
5. Escrow Issuer for the New First Lien Financing and the New Second Lien Financing, if applicable 25
C. Distribution of New Second Lien Financing 25
D. Offer to Purchase New Second Lien Notes 26
E. Issuance of New Common Stock and New Preferred Stock (If Applicable) 26
F. Merger/Dissolution/Consolidation 27
G. Cancellation of Existing Securities and Agreements 27
H. Surrender of Existing Securities 27
I. Equity Incentive Plan 27
J. Director Severance Plan 27
K. Cancellation of Liens 28

L. Compromise of Controversies 28
M. Stockholders Agreement 28
N. Listing of New Common Stock and Transfer Restrictions 28
O. Exemption from Securities Laws 28
P. Exemption from Transfer Taxes 29
Q. D&O Insurance Policy 29
VI. Other Aspects of the Plan 30
A. Distributions 30
1. Voting of Claims 30
2. Cramdown and No Unfair Discrimination 30
3. Timing and Conditions of Distributions 30
(a) Distribution Record Date 30
(b) Date of Distributions 30
(c) Sources of Cash for Distribution 31
(d) Disbursement Agent 31
(e) Rights and Powers of the Disbursement Agent 31
(f) Expenses of the Disbursement Agent 31
(g) Delivery of Distributions 31
(h) Manner of Payment Under the Plan 32
(i) No Fractional Shares of New Common Stock or New Preferred Stock, if Any 32
(j) Setoffs and Recoupment 33
(k) Distribution After Effective Date 33
(l) Cash Distributions 33
(m) Allocations Between Principal and Interest 33
(n) No Postpetition Interest on Claims 33
4. Procedures for Disputed Claims Under the Plan 33
(a) Disputed Claims/Process 33
(b) Objections to Claims 34
(c) Estimation of Claims 34
(d) No Distributions Pending Allowance 34
(e) Distribution After Allowance 34
(f) Preservation of Claims and Rights to Settle Claims 34
B. Treatment of Executory Contracts and Unexpired Leases 35

1. Assumption and Rejection of Contracts and Leases 35
2. Cure of Defaults 35
3. Rejection Claims 35
4. Survival of the Debtors' Indemnification Obligations 36
5. Survival of Management Agreements and Other Employment Arrangements 36
6. Insurance Policies 36
C. Conditions Precedent to the Effective Date 36
1. Conditions Precedent to Effective Date of the Plan 36
(a) Confirmation Order. 37
(b) Execution and Delivery of Other Documents. 37
(c) Regulatory Approvals. 37
(d) Consents. 37
(e) Corporate Formalities. 37
(f) Other Acts. 37
2. Waiver of Conditions Precedent 37
3. Effect of Failure of Conditions 37
D. Effect of Confirmation. 38
1. Vesting of Assets 38
2. Binding Effect 38
3. Discharge of the Debtors 38
4. Exculpation 38
5. Term of Injunctions or Stays 39
6. Injunction Against Interference with the Plan 39
7. Preservation of Claims 39
8. Reservation of Rights 39
9. Plan Supplement 40
10. Plan Financing Supplement 40
E. Releases. 40
1. Releases by Debtors 40
2. Releases by Holders of Claims 40
VII. Financial Information, Forecast, and Valuation Analysis 41
A. Historical Financial Information 41
(a) General 41

(b) Selected Financial Data 42

(c) Management's Discussion and Analysis of Financial Condition and Results of Operations 42

(d) Recent Financial Performance 42

B. Forecast 42

C. Reorganization Value Analysis 42

VIII. CERTAIN RISK FACTORS TO BE CONSIDERED 43

A. Certain Bankruptcy Considerations. 43

1. Parties in Interest May Object to the Debtors' Classification of Claims. 43

2. In Certain Instances, Any Chapter 11 Case May be Converted to a Case under Chapter 7 of the Bankruptcy Code. 44

3. The Bankruptcy Court May Not Confirm the Plan. 44

4. The Debtors May Fail to Meet All Conditions Precedent to Effectiveness of the Plan. 45

5. The Debtors May Be Unsuccessful in Obtaining First Day Orders to Authorize Payment to Key Creditors in the Ordinary Course of Business. 45

6. The Debtors Cannot Predict the Amount of Time Needed in Bankruptcy to Implement the Plan, and a Lengthy Bankruptcy Case Could Disrupt the Business, as well as Impair the Prospect for Reorganization on the Terms Contained in the Plan and Possibly Provide an Opportunity for Other Plans to be Proposed. 46

7. The Debtors' actual financial results may vary significantly from the Forecast filed with the Bankruptcy Court. 46

8. The Debtors cannot be assured that the Bankruptcy Court will approve of the Debtors' First and Second Lien Financing Raises, or that such approval will be obtained in a timely manner. 47

9. The Plan may not be consummated due to the failure of the Backstop Parties to comply with their obligations under the Backstop Commitment Letter. 47

10. Consummation of the Plan may affect the Debtors' liability for U.S. federal income taxes currently or in the future. 47

B. Risks to Recovery By Holders of Allowed Term Facility Claims, Allowed PIK Notes Claims, Allowed Subordinated Notes Claims and Allowed 2011 Notes Claims. 48

1. Variances from Forecasts 48

2. Holders of Subordinated Notes Claims and Management's Ownership of the Reorganized Debtors. 48

3. Unforeseen Events. 49

C. Risks Associated with the Debtors' Business and the Industry 49

1. The Debtors' substantial debt could impair their ability to operate and expose them to certain risks. 49

2. Future acquisitions, partnerships, publishing services agreements and joint ventures may require significant resources and/or result in significant unanticipated losses, costs or liabilities. 50

3. The Debtors' performance could be adversely affected if they lose their key personnel. 51

4. If the Debtors fail to implement their strategy, their businesses will be adversely affected. 51

5. The Debtors' businesses and results of operations are affected by and dependent upon discretionary consumer spending patterns. 51

6. General economic trends, as well as trends in advertising spending and competition, along with declines in single copy circulation, may reduce the Debtors' advertising and circulation revenues which represent the vast majority of their revenues. 52

7. The Debtors operate in a very competitive business environment. 52

8. The Debtors' businesses and results of operations may be adversely affected by increases in fuel costs and increases in the price of paper or postage. 53

9. The Debtors' businesses may be adversely affected if they lose one or more of their vendors. 53

10. Terrorist attacks and other acts of violence or war may affect the financial markets and the Debtors' businesses, results of operations and financial condition. 54

11. Pending and future litigation or regulatory proceedings could materially affect the Debtors' operations. 54

12. If the Debtors' goodwill or other identifiable intangible assets become impaired, the Debtors may be required to record a significant charge to earnings. 54

13. Some provisions of Delaware law and AMI's amended and restated certificate of incorporation may deter third parties from acquiring AMI. 55

14. Because of the concentration of ownership among a few stockholders, such stockholders will be able to exercise control over significant transactions involving AMI, including a change in control transaction, and the interests of such stockholders may differ from those of Reorganized AMI's other stockholders. 55

15. The Debtors may not be able to maintain an effective system of internal control over financial reporting and disclosure controls. 55

16. The Debtors may suffer credit losses that could adversely affect their results of operation. 56

17. The Debtors' single copy revenues consist of copies sold primarily to three wholesalers....56
18. Employee benefit costs are increasing significantly....56
IX. Voting Procedures and Requirements....56
A. Vote Required for Acceptance by a Class....57
B. Classes Not Entitled to Vote....57
C. Voting Record Date....57
D. Voting on the Plan....57
E. Beneficial Owners....58
F. Nominees....58
1. Master Ballots....58
2. Miscellaneous....59
3. Fiduciaries And Other Representatives....59
4. Agreements Upon Furnishing Ballots or Master Ballots....59
5. Change of Vote....60
G. Waivers of Defects, Irregularities, Etc....60
H. Further Information, Additional Copies....60
X. Confirmation of the Plan....60
A. Confirmation Hearing....60
B. General Requirements of Bankruptcy Code Section 1129....61
C. Confirmation Without Acceptance of All Impaired Classes....61
1. No Unfair Discrimination....61
2. Fair and Equitable Test....61
D. Best Interests Test....62
E. Liquidation Analysis....63
F. Feasibility....63
XI. Alternatives to Confirmation and Consummation of the Plan....63
A. Liquidation Under Chapter 7 or Chapter 11....63
B. Alternative Plan....64
XII. Certain United States Federal Income Tax Consequences of the Plan....64
A. U.S. Federal Income Consequences to the Debtors....65
1. COD Income of the Debtors....65
2. Limitation of NOLs and Other Tax Attributes....66
3. Treatment of the New PIK Notes as Applicable High Yield Discount Obligations....68

4. Alternative Minimum Tax 68
B. U.S. Federal Income Tax Consequences to U.S. Holders Under the Plan 68
1. Consequences to U.S. Holders of Class 2 Term Facility Claims 69
2. Consequences to U.S. Holders of Class 5 PIK Notes Claims 70
3. Consequences to U.S. Holders of Class 6 Subordinated Notes Claims 72
4. Consequences to U.S. Holders of Class 7 2011 Notes Claims 73
5. Ownership and Disposition of the New Second Lien Financing 73
6. Ownership and Disposition of the New PIK Notes 74
7. Ownership and Disposition of New Common Stock and New Preferred Stock, if Any 75
8. Accrued Interest 75
9. OID 76
10. Applicable High Yield Interest Obligations 77
11. Market Discount 77
12. Backup Withholding for U.S. Holders 78
C. General U.S. Federal Income Tax Consequences to Non-U.S. Holders 78
1. Tax Consequences to Non-U.S. Holders of Plan 78
(a) Tax Consequences of Non-U.S. Holders Under the Plan 79
(b) Non-U.S. Holders of New Common Stock or New Preferred Stock 79
(c) Non-U.S. Holders of New Second Lien Financing and New PIK Notes 79
(d) Effectively Connected Income and Loss 80
(e) Sale, Exchange or Disposition of New Common Stock, New Preferred Stock, New Second Lien Financing, Subordinated Notes or New PIK Notes 80
(f) Information Reporting and Backup Withholding 81
XIII. Conclusion 82

Exhibit A Joint Prepackaged Plan of Reorganization
Exhibit B Restructuring Support Agreement
Exhibit C Annual Report
Exhibit D Audited Financial Statements
Exhibit E Quarterly Report
Exhibit F Quarterly Financial Statements
Exhibit G Pro Forma Financial Forecast Analysis
Exhibit H Reorganization Value Analysis
Exhibit I Liquidation Analysis

I.

GENERAL INFORMATION

A. Description of the Debtors

The Debtors, which are privately owned, operate their businesses through a group of affiliated entities. The Debtors in these Chapter 11 Cases are:

American Media, Inc.
American Media Operations, Inc.
American Media Consumer Entertainment, Inc.
American Media Consumer Magazine Group, Inc.
American Media Distribution & Marketing Group, Inc.
American Media Mini Mags, Inc.
American Media Newspaper Group, Inc.
American Media Property Group, Inc.
Country Music Media Group, Inc.
Distribution Services, Inc.
Globe Communications Corp.
Globe Editorial, Inc.
Mira! Editorial, Inc.
National Enquirer, Inc.
National Examiner, Inc.
Star Editorial, Inc.
Weider Publications, LLC

1. ***Business***

The Company is a leading publisher in the field of celebrity journalism and health and fitness magazines. Its publications include *Star*, *Shape*, *Men's Fitness*, *Fit Pregnancy*, *Natural Health*, *Muscle & Fitness*, *Muscle & Fitness Hers*, *Flex*, *UFC Magazine*, *National Enquirer*, *Globe*, *Country Weekly*, *Mira!*, *Sun*, *National Examiner*, and other publications.

The Company also provides publishing services to other publishers, including *Playboy Enterprises, Inc.*, *World Wrestling Entertainment, Inc.* and others. Additionally, the Company's wholly-owned subsidiary, Distribution Services, Inc. ("***DSI***"), which is also a Debtor, arranges for the placement of its publications and third-party publications with retailers. DSI monitors through its regional managers and merchandising staff that these publications are properly displayed in stores, primarily national and regional supermarket chains and major retail chains such as Wal-Mart, Kroger Companies, Safeway, Super Valu/Albertsons, Stop & Shop/Giant Food, Publix, H.E. Butt, Food Lion/Sweetbay, Great A&P Tea Company and Winn Dixie. DSI coordinates (also known as acting as a "***category manager/front-end advisor***") the racking of magazine fixtures for selected retailers. In addition, DSI provides marketing, merchandising and information gathering services to third parties including non-magazine clients. Some of DSI's third-party publishing clients include Hachette Filipachi Media U.S., which publishes *Woman's Day* and *Elle*; Newsweek, Inc., which publishes *Newsweek*; Bauer Publishing, which publishes *First for Women*, *Woman's World*, *Life & Style* and *In Touch*; Rodale, Inc., which publishes *Prevention*, *Men's Health* and *Woman's Health*; General Mills, which publishes *Pillsbury* and *Betty Crocker*; Typhoon Media Corporation, which publishes various dictionary and reference books, medical and health encyclopedias, classical fiction, cookbooks and

homeopathic health titles; and New York Media LLC, which publishes *New York Magazine* and specials. Some of DSI's third-party non-publishing clients include Kroger, Safeway, Random House, Blackhawk Network and Frontline Marketing, Inc.

As of March 31, 2009, March 31, 2010 and June 30, 2010, the Company's magazines comprised approximately 21% of total U.S. and Canadian newsstand circulation for weekly publications audited by the Audit Bureau of Circulators. Total average newsstand and subscription circulation per issue for all of the Company's publications that are currently published and have a publishing frequency of six or more times per year was approximately 5.9 million copies for the fiscal quarter ended June 30, 2010, as compared to 6.1 million copies for fiscal year 2010.

For the fiscal quarters ended June 30, 2010 and 2009, approximately 59% and 62%, respectively, of the Company's total operating revenues were derived from circulation. Single copy sales accounted for approximately 81% and 83% of such circulation revenues in fiscal quarters ended June 30, 2010 and 2009, respectively, and the remainder was from subscription sales. The Company's advertising revenues are generated by national advertisers, including packaged goods, sports nutrition products, automotive, entertainment, pharmaceutical, sports apparel, beauty and cosmetics, fashion and direct response. For the fiscal quarters ended June 30, 2010 and 2009, approximately 34% and 32%, respectively, of the Company's total operating revenues were from advertising.

As of June 30, 2010 and 2009, the Company's publications were distributed to newsstands primarily by three wholesalers, which the Company estimates represent approximately 81% of the newsstand distribution market, as well as several smaller wholesalers who represent the remaining approximately 19%. For both fiscal years 2010 and 2009, wholesalers distribute the copies to approximately 110,000 retail outlets in the United States and Canada, representing, in the opinion of management, substantially complete coverage of periodical outlets in North America. The wholesalers also process returns of the Company's publications, bill and collect from the retailers, and make payments to national distributors. The Company distributes its publications to the wholesalers with a full right of return, who in turn sell them to retailers with a full right of return. The Company's national distributors' primary function is to bill and collect funds from wholesalers and remit these funds to the Company.

In addition to the Company's relationships with national distributors and wholesalers, it also has relationships with retailers, to which the Company pays one or more of the following:

- Rack Costs – the Company pays a fee to retailers to sell the Company's publications in the display racks in the checkout section of supermarkets and other large retailers, typically for three year periods.

- Display Continuity Allowances ("***DCA***") – DCA is a payment that the Company makes directly to the retailer and is similar to slotting fees paid by other industries to supermarkets.

- Retail Display Allowance ("***RDA***") – the Company makes this payment directly to the retailers based upon quarterly claim forms that they submit to us. On average, RDA payments are equal to approximately 10% of the cover price for each magazine sold.

- Retail Display Pockets ("***RDP***") – the Company pays this fixed per pocket fee directly to retailers. This fee is similar to RDA, except that the amount is fixed per pocket. The Company pays either RDA or RDP to a particular retailer, but not both.

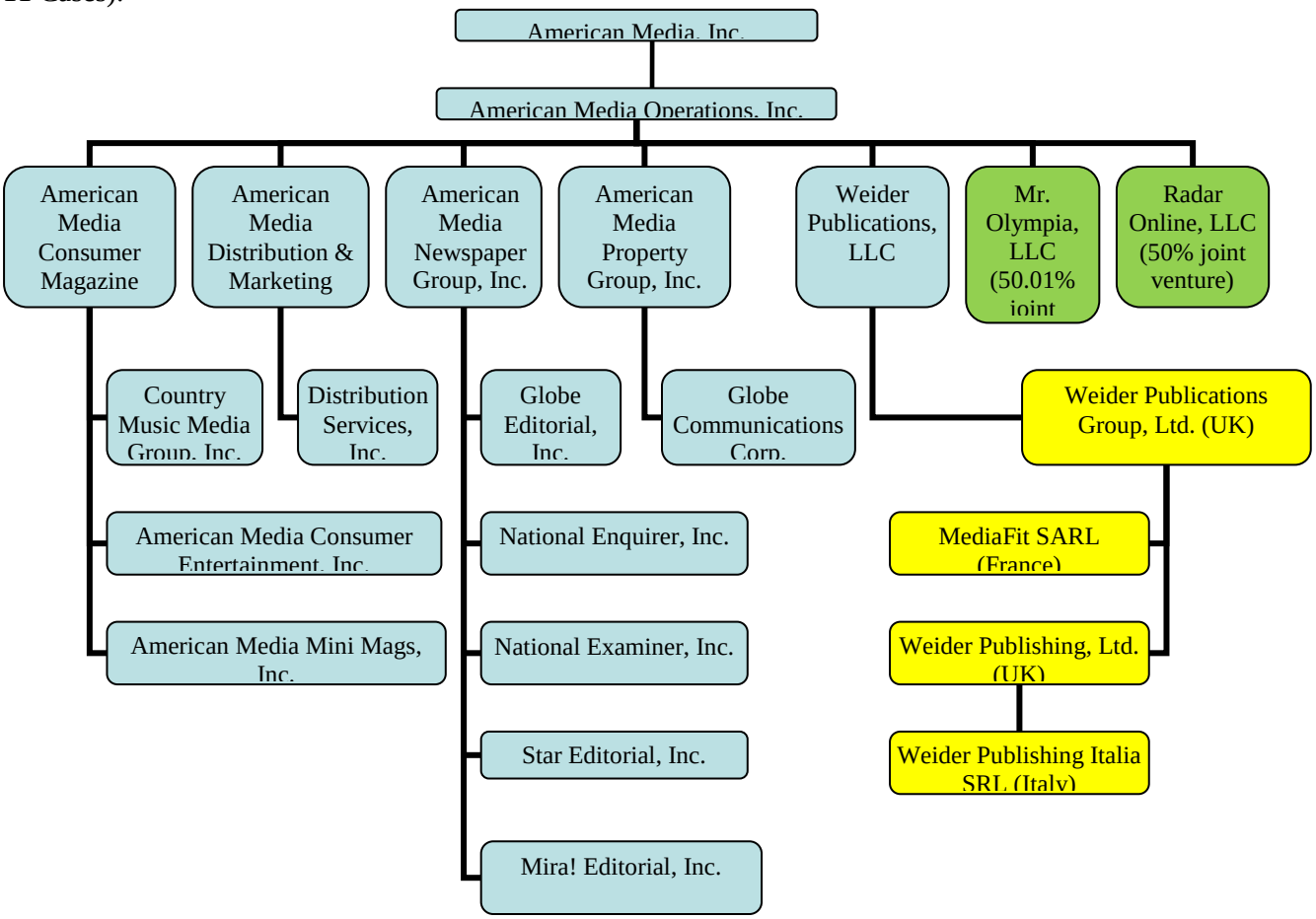
Subscription revenues are derived from copies mailed to the Company's subscribers. The Company outsources its subscription fulfillment services to a third-party. Advertising revenues are derived primarily from customer advertisements placed in the Company's publications.

As of March 31, 2010, the Company employed approximately 654 persons equivalent to full-time employees, excluding part-time employees of DSI. In addition, as of March 31, 2010, the Company employed approximately 1,350 part-time merchandising employees in its Distribution Services segment. None of the Company's employees is represented by any union or other labor organization. The Company has had no strikes or work stoppages during the last five years.

2. ***Corporate History and Structure***

American Media Operations, Inc. ("***AMO***") was incorporated under the laws of Delaware in 1981 and is a wholly-owned subsidiary of American Media, Inc. ("***AMI***"). AMO conducts all of AMI's operations and represents substantially all of AMI's assets.

The chart below summarizes AMI's current corporate structure (all entities other than those incorporated outside of the United States and the Company's joint ventures are Debtors in the Chapter 11 Cases):



3. ***Selected Financial Information***

For the twelve month period ending June 30, 2010, the Debtors, on a consolidated basis, generated $400 million in operating revenue. As of June 30, 2010, the Debtors had total assets of $618.4 million and total liabilities of $1.2 billion.

B. Prepetition Indebtedness and Capital Structure

1. ***Equity***

The common stock of AMI is privately held primarily by (a) American High-Income Trust and certain related funds and other entities managed by Capital Research and Management Company, Capital Guardian Trust Company, and Capital International, Inc. (collectively, "***Capital Research***"), which holds approximately 27.2%; (b) Angelo, Gordon & Co. L.P. and certain affiliates ("***Angelo Gordon***"), which hold approximately 17.3%; (c) Avenue Capital Management II, L.P. and certain affiliates ("***Avenue***"), which hold approximately 17.9%; (d) Credit Suisse Securities (USA) LLC ("***Credit Suisse***"), which holds approximately 7.8%; (e) Regiment Capital Ltd. and certain affiliates, which hold 6.3%; and (f) twenty-eight other institutional investors, each of whom hold less than 5%, collectively hold approximately 18.6%. The remaining common stock of AMI is held by certain AMO directors and employees.

2. ***Prepetition Indebtedness***

As of the Petition Date, AMO's total principal amount of outstanding debt is expected to be approximately $878.7 million, which will consist of approximately $490.6 million principal amount of debt under the 2009 Credit Agreement, $7.5 million principal amount of 2011 Notes, $24.8 million principal amount of PIK Notes, and $355.8 million principal amount of Subordinated Notes.

(a) 2009 Credit Agreement

On December 31, 2008, AMO amended and restated its Credit Agreement dated as of January 30, 2006, among AMO, AMI, the lenders party thereto, JPMorgan Chase Bank, N.A., as Administrative Agent and Deutsche Bank Securities Inc., as Syndication Agent (the "***2009 Credit Agreement***"). On January 30, 2009, the 2009 Credit Agreement became effective. The 2009 Credit Agreement includes a $450.0 million term facility (the "***Term Facility***"), which matures in January 2013. As of the Petition Date, the balance outstanding under the Term Facility is expected to be $430.6 million. The effective interest rate applicable to the Term Facility under the 2009 Credit Agreement, as of June 30, 2010, was 10%.

The 2009 Credit Agreement also includes a $60 million revolving facility (the "***Revolving Facility***"). The Revolving Facility matures in January 2012. As of the Petition Date, the balance outstanding under the Revolving Facility is expected to be $60 million. The effective interest rate applicable to the Revolving Facility under the 2009 Credit Agreement, as of June 30, 2010, was 10%. The guarantors under the 2009 Credit Agreement consist of AMI and the Debtor Subsidiaries.

(b) 2011 Notes

On January 23, 2003 AMO issued $150 million aggregate principal amount of the 2011 Notes (the "***2011 Notes***"). Under the indenture governing the 2011 Notes, as of January 15, 2010, the 2011 Notes became redeemable at par, plus accrued and unpaid interest. As of the Petition Date, the Debtors' expect that approximately $7.5 million of the principal amount of the 2011 Notes will

remain outstanding. Interest on the 2011 Notes accrues at a rate of 8 7/8%. The guarantors of the 2011 Notes are the Debtor Subsidiaries.

(c) PIK Notes

On January 30, 2009, AMO issued $21.2 million aggregate principal amount of PIK Notes. The PIK Notes are unsecured senior obligations of AMO and are effectively subordinated to all of AMO's existing and future secured debt, including obligations under the 2009 Credit Agreement. The PIK Notes will mature on May 1, 2013. As of the Petition Date, the Debtors expect that approximately $24.8 million will remain outstanding on the PIK Notes. Interest on the PIK Notes accrues at the rate of 9% per annum based upon the outstanding principal amount. The 2009 Credit Agreement prohibits the payment of cash interest on the PIK Notes. The guarantors of the PIK Notes are the Debtor Subsidiaries.

(d) Subordinated Notes

On January 30, 2009, AMO issued $299.7 million aggregate principal amount of Subordinated Notes. The Subordinated Notes are unsecured senior subordinated obligations of AMO and are subordinated in right of payment to AMO's existing and future senior debt, including obligations under the 2009 Credit Agreement and the PIK Notes. The Subordinated Notes will mature on November 1, 2013. Interest on the Subordinated Notes accrues at the rate of 14% per annum based upon the outstanding principal amount. As of the Petition Date, the Debtors expect that approximately $355.8 million of the principal amount of the Subordinated Notes will remain outstanding. The guarantors of the Subordinated Notes are Debtor Subsidiaries.

II.

EVENTS LEADING TO THE COMMENCEMENT OF THE CHAPTER 11 CASES

A. Industry-Specific Events

The Company's business and results of operations are affected by and dependent upon discretionary consumer spending patterns. The Company's business is sensitive to a number of factors that influence the level of discretionary consumer spending, including political and economic conditions, such as recessionary and inflationary environments. Notably, recent increases in the retail price of gasoline and the potential for further increases in gasoline and other energy costs, increases in credit card, home mortgage, and other borrowing costs, and declines in housing values have contributed to declines in overall consumer confidence and discretionary spending. A decline in discretionary consumer spending on publications, particularly those sold at retailers' checkout counters and those targeting certain demographics particularly affected by challenging economic conditions, adversely effects on the Company's business, operating results and profitability.

General economic trends, as well as trends in advertising spending and competition, along with declines in single copy circulation, have reduced the Company's advertising and circulation revenues, which represent the vast majority of the Company's revenues. The Company's advertising and circulation revenues, which accounted for 92% of the Company's total operating revenues in fiscal year 2010, are subject to the risks arising from adverse changes in domestic and global market conditions (i.e., recessionary environments or increases in gas prices and interest rates) and possible shifting of advertising spending from print to Internet or other media or decreases in advertising budgets. The Company believes that the principal factors contributing to the declines in its single copy circulation include: (i) the current economic slowdown; (ii) increased competition from other

publications and forms of media, such as certain newspapers, television and radio programs and Internet sites concentrating on celebrity news; (iii) a general industry-wide decline in single copy circulation of individual publications due to an increasing number of publications in the industry; and (iv) diminished service levels from wholesalers who distribute our magazines to retailers and fill the pockets at checkout counters as a result of consolidation among wholesalers and their related efforts to cut expenses.

The Company operates in a very competitive business environment. *Star*, *National Enquirer*, *Globe*, *National Examiner*, *Sun*, *Mira!* and *Country Weekly* compete in varying degrees with other publications sold at retailers' checkout counters, as well as forms of media concentrating on celebrity news, such as certain tabloids, magazines and television and radio programs. The Company believes that historical declines in single copy circulation of *National Enquirer*, *Globe* and *National Examiner* have resulted in part from increased competition from these publications and forms of media. Competition for circulation is largely based upon the content of the publication, its placement in retail outlets and its price. Competition for advertising revenues is largely based upon circulation levels, readership, demographics, price, and advertising results. Certain of the Company's competitors have substantially larger operating staffs, greater capital resources and greater revenues from their publications. In this respect, the Company may be at a competitive disadvantage with such entities. As use of the Internet and new on-line ventures focusing on celebrity news has increased, the Company has faced additional competition. Certain of the Company's competitors have substantially larger operating staffs and greater capital resources. Increased competition may have resulted in less demand for the Company's products and services.

The Company's business and results of operations may be adversely affected by increases in fuel costs and increases in the price of paper or postage. Many aspects of the Company's business have been directly affected by increases in the cost of fuel. Increased fuel costs have translated into increased costs for the products and services the Company receives from its third-party suppliers including, but not limited to, increased production and distribution costs for our products. In particular, paper and postage represent significant components of the Company's total cost to produce and distribute the Company's printed products. Paper is a commodity and its price has been subject to significant volatility. Furthermore, because the United States Postal Service and Canada Post Corporation distribute substantially all of the Company's subscription publications and many of the Company's marketing materials, increases in the cost of postage to mail the Company's subscription publications have an adverse effect on the Company's business.

B. The 2008/2009 Restructuring

On January 30, 2009, AMO successfully completed its cash tender offers and received the requisite consents in the related consent solicitations in respect of AMO's then outstanding senior subordinated notes, consisting of (1) $414.5 million aggregate principal amount of 10 1/4% Series B Subordinated Notes due 2009 (the "***2009 Notes***") and (2) the 2011 Notes (together with the 2009 Notes, the "***Prior Notes***"). $400.5 million in aggregate principal amount of the 2009 Notes and $148.0 million in aggregate principal amount of the 2011 Notes were validly tendered and accepted for payment and consents were delivered with respect to the Prior Notes.

On December 31, 2008, AMO amended and restated its Credit Agreement dated as of January 30, 2006, among AMO, AMI, the lenders party thereto, JPMorgan Chase Bank, N.A., as Administrative Agent and Deutsche Bank Securities Inc., as Syndication Agent. On January 30, 2009, concurrently with the consummation of AMO's cash tender offers, the 2009 Credit Agreement became effective. The 2009 Credit Agreement provided for the Term Facility and the Revolving Facility.

On January 29, 2009, AMO amended and restated its certificate of incorporation to increase the number of shares authorized to be issued from 10,000 to 7,500,000 and changed the par value of such common stock from $0.20 to $0.0001. In addition, AMO exchanged 5,994,411 shares of common stock for 7,508 shares of common stock previously owned by AMI.

On January 30, 2009, AMO issued the Subordinated Notes and the PIK Notes. Concurrently with the notes offering, AMI sold 5,688,891 shares of common stock in AMI (valued at approximately $1.0 million) (the "***AMI Common Stock***" and, together with the Subordinated Notes and the PIK Notes, the "***Restructuring Securities***") for an aggregate purchase price of $126.0 million, pursuant to a purchase agreement, dated January 29, 2009, among AMI, AMO, the other parties named therein and J.P. Morgan Securities Inc. The cash proceeds from the offering of the Restructuring Securities, together with AMO's cash on hand, were used to purchase the tendered portion of the Prior Notes in the tender offers and to pay approximately $35.0 million of fees and expenses related to such offering and the tender offers and consent solicitations. (For U.S. federal income tax purposes, AMO treated the tender offers for the Prior Notes and the issuance of the Restructuring Securities as an exchange of the Prior Notes for the Restructuring Securities.) In addition, on January 30, 2009, AMI issued an aggregate of 305,520 shares of AMI Common Stock to AMI's equityholders prior to the financial restructuring (the "***Prior Equityholders***") in exchange for the AMI Common Stock they owned prior to the restructuring.

As a result of the restructuring of AMO's capital structure and the issuance of AMI Common Stock to the bondholders who participated in the cash tender offers completed on January 30, 2009 and receipt of requisite consents in the related consent solicitations (the "***Prior Tendering Bondholders***"), the Prior Tendering Bondholders acquired approximately 94.9% of AMI's Common Stock. The Prior Equityholders retained approximately 5.1% of the AMI Common Stock.

These transactions are referred to collectively as the "***Prior Restructuring***" in this Disclosure Statement.

C. The Exchange Offer and the Tender Offer

On July 15, 2010, AMI launched an exchange offer for the Subordinated Notes (the "***Exchange Offer***"), and a cash tender offer for the PIK Notes (the "***Tender Offer***"). In the Exchange Offer, holders of Subordinated Notes were offered $269.52 in cash and 335.62 shares of AMI Common Stock for each $1,000 of principal amount exchanged. In the Tender Offer, AMI offered to purchase each $1,000 principal amount of outstanding PIK Notes for $1,020. Concurrently with the Exchange Offer and the Tender Offer, AMI solicited consents to amend the Subordinated Notes Indenture and the PIK Notes Indenture to remove substantially all of the restrictive covenants and certain events of default from each indenture. Both the Exchange Offer and the Tender Offer were initially scheduled to expire on August 11, 2010 (the "***Expiration Time***"). The Expiration Time was subsequently extended to November 1, 2010. Neither the Exchange Offer nor the Tender Offer is expected to be successfully consummated, and the Debtors anticipate that they will terminate the Exchange Offer and the Tender Offer.

D. Prepetition Negotiations

In September 2010, and in order to address many of the issues set forth below in the subsection entitled "Purposes of the Financial Restructuring," the Company (along with its legal and financial advisors) began discussions with the Committee, the Administrative Agent, the Term Facility Lenders, the Revolver Lenders, and potential new financing lenders. The Company actively negotiated with all groups to create a consensus on the appropriate restructuring (and/or repayment)

of the Company's outstanding debt. Ultimately, as further discussed below, the Company was able to reach a consensual resolution with the members of the Committee and certain of the Term Facility Lenders and Revolver Lenders on the terms of a comprehensive balance sheet restructuring and entered into a restructuring support agreement with such parties to document the parties' support of such restructuring.

As part of the negotiations with the Committee, AMO commenced, on October 12, 2010, a consent solicitation (the "***Interest Deferral Consent Solicitation***") to solicit consents from eligible holders of Subordinated Notes to defer the payment of the November 1, 2010 scheduled interest payment on the Subordinated Notes to January 3, 2011 (such deferred payment of interest, the "***Deferred Interest Payment***"). At least 75% of eligible holders of outstanding principal amount of Subordinated Notes were required to deliver consents to the Deferred Interest Payment. Among others, the Committee, which holds approximately 77% of the aggregate outstanding principal amount of Subordinated Notes, provided consents to the Deferred Interest Payment in the Interest Deferral Consent Solicitation. On October 28, 2010 AMO executed the Third Supplemental Indenture to the Subordinated Note Indenture (the "***Deferred Interest Supplemental Indenture***"), and the Deferred Interest Supplemental Indenture became operative immediately upon execution. The Deferred Interest Payment and the Deferred Interest Supplemental Indenture is applicable to all of the holders of the currently outstanding Subordinated Notes, whether or not the holder consented to the Interest Deferral Consent Solicitation.

E. The Financial Restructuring Transaction

1. ***Restructuring Support Agreement***

On October 30, 2010, the Company entered into the Restructuring Support Agreement, a copy of which is attached to this Disclosure Statement as Exhibit "B" (the "***RSA***"), with the members of the Committee. Pursuant to the Restructuring Support Agreement, the signatories thereto agreed to support a restructuring of the Company's indebtedness on the terms set forth therein (the "***Financial Restructuring***"). The Company agreed to implement the Financial Restructuring through the solicitation of votes to accept or reject the Plan through a "prepackaged" bankruptcy and the commencement of the Chapter 11 Cases. Institutions holding in the aggregate at least 35% of the Term Facility Claims, approximately 77.6% of the Subordinated Notes Claims, and approximately 89% of the PIK Notes Claims have agreed to support the Financial Restructuring by executing the RSA. Further, it is anticipated that additional Term Facility Lenders and/or Revolver Lenders will execute the RSA prior to the commencement of the Chapter 11 Cases.

The Plan sets forth the Debtors' post-Effective Date capital structure and the distribution that each Class of the Debtors' creditors is to receive under the Plan. Specifically, upon the Effective Date, among other things, as more fully set forth in the Plan:

(a) the Holders of Term Facility Claims will receive (i) Cash, in an amount to be determined by the Debtors but in any event no less than 70% of the amount of all Allowed Term Facility Claims and (ii) New Second Lien Notes; provided however, that the aggregate amount of New Second Lien Notes distributed to Term Facility Lenders shall not be greater than the Backstop Commitment; provided further however, that notwithstanding the foregoing, and for the avoidance of doubt, the unpaid reasonable and documented out-of-pocket fees and expenses (including legal fees and expenses) of the Administrative Agent through and including the Effective Date shall be paid in Cash to the Administrative Agent. In addition, the Holders of Term Facility Claims will have the right to require that the Backstop Parties purchase

from such Holders the New Second Lien Notes received in accordance with the terms of the Plan.

(b) the Holders of Allowed Revolver Claims shall receive payment in full, in Cash.

(c) the Holders of Allowed Subordinated Notes Claims will receive 98% of the New Common Stock, subject to dilution for the Equity Incentive Plan (Holders of Allowed Subordinated Notes Claims other than the Backstop Parties will also be diluted by the Backstop Shares);

(c) the Holders of Allowed PIK Notes Claims will receive, at the Debtors' option (but subject to the consent of the Committee, as set forth in the Plan) (i) New Second Lien Notes, (ii) New PIK Notes, (iii) New Preferred Stock, or (iv) a combination of the foregoing;

(d) the Holders of Allowed 2011 Notes Claims will receive (i) approximately 2% of the New Common Stock, subject to dilution for the Equity Incentive Plan and (ii) Backstop Shares (unless such Holders are Backstop Parties);

(e) the Holders of Allowed General Unsecured Claims will be unimpaired; and

(f) the Holders of Interests in AMI will be cancelled.

2. ***New Financing***

For the Financial Restructuring to be consummated pursuant to the Plan, the Debtors intend to enter into new first lien secured financing in a principal amount of approximately $385 million (the "***New First Lien Financing***"), new second lien secured financing in a principal amount of approximately $140 million (the "***New Second Lien Financing***"), and an approximately $40 million new first lien secured revolving credit facility (the "***New Revolver Facility***"). The documents relating to each of the foregoing shall be filed in draft form as part of the Plan Supplement, and the material terms of the New First Lien Financing and the New Second Lien Financing will be filed as part of the Plan Financing Supplement.

a. The New First Lien Financing and the New Second Lien Financing

After several weeks of negotiations with various financial institutions, including potential arrangers and underwriters, the Debtors and their advisors determined that a first and second lien notes offering (the "***New First Lien Notes Offering***" and the "***New Second Lien Notes Offering***," respectively) provided the Debtors with the best financing terms available to fund the New First Lien Financing and the New Second Lien Financing. In connection therewith, the Debtors entered into an engagement letter (the "***Engagement Letter***"), with certain financial institutions to be lead underwriters, initial purchasers and/or placement agents (in such capacities, the "***Lead Managers***") for the New First Lien Notes Offering and the New Second Lien Notes Offering, which offerings shall be made on an uncommitted basis. Among other things, the Engagement Letter provides that the Debtors may not issue more than $140 million of New Second Lien Notes.

b. The Escrow Issuer

The Debtors have determined, in their business judgment, to market the New First Lien Notes and New Second Lien Notes to potential investors and determine the pricing for the New First Lien

Notes and New Second Lien Notes, as close as practicable, prior to the date the Debtors file for chapter 11 relief, but intend to close the New First Lien Notes Offering and New Second Lien Notes Offering after the Petition Date. In order to facilitate the closing of the New First Lien Notes and the New Second Lien Notes after the Petition Date and to ensure that the Debtors' stay in chapter 11 is as short as possible, the Debtors will request an order from the Bankruptcy Court, as soon as practicable after the filing of the Chapter 11 Cases, stating that a newly established non-Debtor Delaware company (the "***New LLC***") and its subsidiary, AMO Escrow Corporation, a new non-Debtor Delaware company (the "***Escrow Issuer***"), are non-Debtor entities and that any proceeds or assets they have will not be property of the Debtors' estates and will not be consolidated with the Debtors' assets or estates. The Escrow Issuer will enter into (i) a binding purchase agreement prior to the Petition Date, pursuant to which the Escrow Issuer will agree to sell, and the lead managers will agree to purchase, the New First Lien Notes and the New Second Lien Notes at the price specified therein, (ii) related escrow agreements, pursuant to which the proceeds of the New First Lien Financing, the proceeds of the New Second Lien Financing and other amounts relating to other payment obligations in respect of the New First Lien Financing and Second Lien Financing will be held pending consummation of the Plan and (iii) grant a lien on the proceeds from the New First Lien Notes, proceeds from the New Second Lien Notes and all other assets it holds (if any). Upon the Effective Date, the Escrow Issuer will merge into one of the Reorganized Debtors, which will assume the on-going liability for the New First Lien Notes and the New Second Lien Notes, and the proceeds of the New First Lien Notes Offering and the New Second Lien Notes Offering (and any other amounts held in escrow) will be released from escrow. In addition, on the Petition Date, the Debtors will request that the Bankruptcy Court authorize them to transfer approximately $15 million into escrow to pay fees and interest associated with the New First Lien Financing, and the New Second Lien Financing (if New Second Lien Notes are issued for cash), and will request that the Bankruptcy Court deem such proceeds not to be property of the Debtors' estates or otherwise assets of the Debtors.

c. The Offer to Purchase the New Second Lien Notes

In addition to the New Second Lien Notes Offering, (i) $25 million in New Second Lien Financing plus any amount of New Second Lien Notes that is not purchased in the New Second Lien Notes Offering will be distributed to the Holders of Allowed Term Facility Claims and (ii) $24,790,102, plus accrued and unpaid interest, in New Second Lien Notes may be distributed, at the Debtors' option, but subject to the consent of the Committee, as set forth in the Plan, to Holders of Allowed PIK Notes Claims. As described in Section 5.4 of the Plan (as well as Section V.D hereof), Holders of Allowed Term Facility Claims (other than the Backstop Parties) will have the option to put any New Second Lien Notes they receive pursuant to the Plan (such right, the "***Put Right***") to the Backstop Parties. Specifically, as set forth in Section 5.4 of the Plan, pursuant to and in accordance with the terms of the Backstop Agreement, the Backstop Parties have, severally and not jointly, committed to purchase their *pro rata* share (based upon their *pro rata* share of all Subordinated Notes held collectively by the Backstop Parties) of any New Second Lien Notes that would otherwise be distributed to the Holders of the Allowed Term Facility Claims (excluding any Backstop Party) pursuant to Section 4.2(b) hereof (the "***Backstop Commitment***") to the extent such Holders have made the election described in the next sentence. Holders of Allowed Term Facility Claims other than the Backstop Parties may elect to have the Backstop Parties purchase their *pro rata* share of the New Second Lien Notes for the face amount of such New Second Lien Notes pursuant to an election form that, subject to Bankruptcy Court approval, will be distributed to such Holders no later than 10 days after the Petition Date. Any Holder of an Allowed Term Facility Claim electing to have the Backstop Parties purchase their share of the New Second Lien Notes must do so by noting its election on such Holder's supplemental election form and returning same to the Debtors by no later than 10 Business Days after the date the election form is distributed. The mechanism by which electing Holders of Allowed Term Facility Claims will exercise their put option to ensure that such Holders

will obtain Cash in exchange for their allocation of New Second Lien Notes will be set forth in the supplemental election form. Consummation of the purchase of such New Second Lien Notes shall occur on the Effective Date. If one or more Term Facility Lenders exercises its option to put its *pro rata* allocation of New Second Lien Notes to the Backstop Parties, the Backstop Parties shall receive from the Debtors a fee equal to 5% of the aggregate principal amount of New Second Lien Notes put to the Backstop Parties by the Term Facility Lenders, which fee shall be payable in Cash.

In addition, pursuant to and in accordance with the terms of the Backstop Agreement, in consideration for undertaking their commitments under the Backstop Agreement, the Backstop Parties shall be entitled to a fully earned and nonrefundable fee payable in fully-paid and non-assessable New Common Stock, representing 5% (the "***Backstop Percentage Interest***") of the New Common Stock to be issued and outstanding on the Effective Date, which 5% shall be calculated after giving effect to the issuance of New Common Stock to the Backstop Parties on account of any Subordinated Notes they hold and without dilution in respect of the Additional Shares (as defined below) (collectively, the "***Initial Shares***"); provided that, if the Backstop Parties are not required to purchase (or elect to receive) a portion of the New Second Lien Notes pursuant to the terms of the Backstop Agreement, then the Backstop Percentage Interest shall be reduced to 3.5%. In addition, on the Effective Date, each Backstop Party shall be entitled to such additional fully-paid and non-assessable shares of New Common Stock (collectively, the "***Additional Shares***" and, together with the Initial Shares, the "***Backstop Shares***") as are required so that its Initial Percentage Ownership shall not be diluted by the issuance of the Initial Shares. The issuance of Backstop Shares to the Backstop Parties shall be subject to dilution by the Equity Incentive Plan. The Backstop Agreement provides for the execution of a registration rights agreement, on commercially reasonable terms to be mutually agreed upon, to be entered into between the Reorganized Debtors and the Backstop Parties.

d. The New Revolver Facility

In addition, the Debtors intend to enter into the New Revolver Facility on the Effective Date, which will include the terms set forth below.

The Debtors intend to use the New Revolver Facility for, among other things, working capital and other general corporate purposes, including, without limitation, effecting permitted acquisitions and investments. The following is a summary of the New Revolver Facility and does not purport to be a complete description of the terms and conditions thereof.

Borrower	AMO
Administrative Agent	JP Morgan Chase, N.A.
Fees	Subject to step-downs, 0.75% per annum on the undrawn portion of the commitments in respect of the New Revolver Facility.
Principal Amount	$40 million, of which $10 million will be available through a subfacility in the form of letters of credit.
Maturity	Five years after the Effective Date.
Interest Rate	Subject to step-downs, the interest rates will be at the option of the Borrower, Adjusted LIBOR plus 6.00% or Alternate Base Rate plus 5.00%.
Guarantees	Guaranteed by AMI and each of AMO's existing domestic subsidiaries and subsequently acquired or organized domestic subsidiaries, subject to certain exceptions.

Collateral	Substantially all of the assets of AMI, AMO and the Debtor Subsidiaries.
Covenants	Contains financial, affirmative and negative covenants that the Debtors believe are usual and customary for a senior secured credit agreement

3. ***Purpose of the Financial Restructuring***

The purpose of the Financial Restructuring is to reduce the Company's leverage and to enhance its long-term growth and competitive position. Specifically, the Financial Restructuring is designed to accomplish the following:

- reduce the Company's outstanding indebtedness and interest expense;
- improve the Company's capital structure;
- better position the Company to enter into value enhancing and other strategic transactions;
- improve the Company's ability to restructure and/or refinance other outstanding indebtedness to reduce leverage, interest expense and ease covenant requirements;
- provide suppliers, customers and employees with more confidence in the Company and enable the Company to capitalize on available opportunities to expand its publishing services business as a result of an improved capital structure;
- enhance the Company's enterprise value in excess of the principal amount of its debt; and
- mitigate the Company's refinancing risks, given the significant amount of its debt that is scheduled to mature in 2013.

4. ***Distributions in Connection with the Financial Restructuring***

In connection with the Financial Restructuring, upon the Effective Date, the Debtors will make the distributions to holders of Term Facility Claims, PIK Notes Claims, Subordinated Notes Claims and 2011 Notes Claims as set forth in Section IV.A.2 hereof.

III.

ANTICIPATED EVENTS DURING THE CHAPTER 11 CASES

A. Administration of the Plan

Each of the Debtors intends to continue to operate their businesses in the ordinary course throughout their Chapter 11 Cases as they had prior to the Petition Date. On the Petition Date, the Debtors intend to have their Chapter 11 Cases jointly administered for procedural purposes. In addition, the Debtors will be filing on the first day of their Chapter 11 Cases motions requesting a series of orders from the Bankruptcy Court to facilitate their reorganization. These requests include, but are not limited to, the following:

(a) The Restructuring Support Agreement, the Backstop Agreement and the Commitment Letters and Related Fees in Connection with the New Revolver Facility. The Debtors intend to seek approval from the Bankruptcy Court to assume (i) the Restructuring Support Agreement between the Company and the Committee and, if applicable, the Term Facility Lenders and the Revolver Lenders, (ii) the Backstop Agreement between the Company and the Backstop Parties, and (iii) the commitment agreements between the Debtors and the lenders/agents under the New Revolver Facility, and the fees associated with such commitment agreements. A description of each of these agreements (as well as the New Revolver Facility) is set forth in the Section titled "The

Financial Restructuring Transaction – New Financing." Assumption of these agreements will facilitate the Debtors' successful emergence from chapter 11.

(b) The Escrow Issuer. The Debtors intend to seek an order from the Bankruptcy Court on shortened notice (and, to the extent practicable, as part of the relief granted by the Bankruptcy Court on the first day of the Chapter 11 Cases) finding that New LLC and Escrow Issuer are non-Debtor entities and that any proceeds of the New First Lien Notes Offering and the New Second Lien Notes Offering or other assets held by New LLC and Escrow issuer will not be deemed property of the Debtors' Estates and will not be consolidated with the Debtors' assets or Estates. In addition, the Debtors will request that the Bankruptcy Court authorize them to transfer $15 million to the Escrow Issuer to pay fees and interest associated with the New First Lien Financing and New Second Lien Financing and will request that the Bankruptcy Court deem such proceeds not to be property of the Debtors' estates or otherwise consolidated with the Debtors assets or estates. The Debtors submit that such relief is necessary to successfully consummate the Plan. **PLEASE NOTE THAT THE DEBTORS INTEND TO SEEK APPROVAL OF THE FOREGOING ON SHORTENED NOTICE (AND TO THE EXTENT PRACTICABLE, AS PART OF THE RELIEF GRANTED BY THE COURT ON THE FIRST DAY OF THE CHAPTER 11 CASES).**

(c) Trade Vendor Matters. The Debtors consider good relations with their trade, shippers and other business vendors to be essential to the continued operation of their businesses during the pendency of their respective Chapter 11 Cases. Accordingly, and in light of the anticipated distribution to general unsecured creditors of 100% of their Allowed Claims, the Debtors intend to file motions requesting an order from the Bankruptcy Court (the "***Vendor Motions***") authorizing payments to their respective trade vendors as they become due in the ordinary course of business, including any amounts that may relate to claims arising prior to the Petition Date, as long as the vendors who receive such payments continue to provide the Debtors with customary shipments and credit terms. The Vendor Motions will also address any possessory lien holders and holders of claims under Bankruptcy Code section 503(b).

(d) Employee Matters. The Debtors believe that they have a valuable asset in their work force and that any delay in paying prepetition compensation or benefits to their employees would significantly damage their relationships with employees and irreparably harm employee morale at a time when the continued dedication, confidence and cooperation of their employees is most critical. The Debtors are grateful to their employees for their help, without which a restructuring would not be possible. Accordingly, the Debtors will seek authority to pay compensation and benefits in the Chapter 11 Cases which were accrued but unpaid as of the Petition Date.

(e) Use of Cash Collateral. The Debtors will require the use of cash on hand and cash generated postpetition to, among other things, pay present operating expenses, including payroll and vendors, to ensure a continued supply of goods and services essential to the Debtors' continued viability. Accordingly, the Debtors will seek authority to use cash collateral under certain terms and conditions. The Debtors anticipate that, pursuant to the RSA, the lenders under the Term Facility and the Revolver Facility will support such use of cash collateral and direct the Administrative Agent to support such use of cash collateral, and the proposed order to be presented to the Bankruptcy Court on the first day of the Chapter 11 Cases will be pre-agreed with such parties.

(f) Operation of Business. The Debtors also will seek various other orders to effectuate a smooth transition through the chapter 11 process. These include, but are not limited to, orders permitting them to continue their respective customer programs and to maintain their cash management system.

B. Confirmation Hearing

The Debtors anticipate that as soon as practicable after commencing their Chapter 11 Cases, they will seek an order of the Bankruptcy Court scheduling the Confirmation Hearing to consider (i) the adequacy of the Disclosure Statement and the solicitation of votes in connection therewith and (ii) confirmation of the Plan. The Debtors anticipate that notice of these hearings will be published in the *New York Times*, *USA Today* and the *Miami Herald* and will be mailed to all known holders of Claims and Interests at least 10 days prior to the date by which objections must be filed with the Bankruptcy Court.

C. Timetable for the Chapter 11 Cases

Assuming that the Bankruptcy Court approves the scheduling motion with respect to the Confirmation Hearing, the Debtors anticipate that the Confirmation Hearing will occur within approximately 30 days of the Petition Date. The Debtors do not currently anticipate any significant objections to confirmation. If such objections were to be raised, the anticipated timing for the Confirmation Hearing could be delayed, perhaps substantially.

IV.

THE PLAN

A. Classification and Treatment of Claims and Equity Interests Under the Plan

The Plan is premised upon the substantive consolidation of the Debtors for the purposes of the Plan only. Accordingly, for purposes of the Plan, the assets and liabilities of the Debtors are deemed the assets and liabilities of a single, consolidated entity.

The following table designates the Classes of Claims against, and the Interests in, the Debtors, and specifies which of those Classes of Claims and Interests are (a) impaired or unimpaired by the Plan, (b) entitled to vote to accept or reject the Plan in accordance with Bankruptcy Code section 1126, and (c) deemed to accept or reject the Plan.

Class	Description	Treatment	Entitled to Vote	Estimated Recovery
Class 1	Priority Non-Tax Claims	Except to the extent that a Holder of an Allowed Priority Non-Tax Claim against any of the Debtors agrees to a different treatment, in full and final satisfaction, settlement, release and discharge of and in exchange for each and every Allowed Class 1 Claim, each such Holder shall receive, in full satisfaction of such Claim, Cash in an amount equal to such Claim, on or as soon as reasonably practicable after the latest of (i) the Effective Date, (ii) the date such Claim becomes Allowed, and (iii) the date for payment provided by any agreement or understanding between the applicable Debtor and the Holder of such Claim.	No (deemed to accept).	100%

Class	Description	Treatment	Entitled to Vote	Estimated Recovery
Class 2	Term Facility Claims	On the Effective Date or as soon thereafter as is reasonably practicable, in full and final satisfaction, settlement, release and discharge of and in exchange for each and every Allowed Class 2 Claim, each Holder of an Allowed Term Facility Claim shall receive its *pro rata* share, on a dollar for dollar basis of the following in an aggregate amount equal to the Allowed amount of all Term Facility Claims: (i) Cash, in an amount to be determined by the Debtors but in any event no less than 70% of the amount of all Allowed Term Facility Claims; and (ii) New Second Lien Notes; provided however, that the aggregate amount of New Second Lien Notes distributed to Term Facility Lenders shall not be greater than the Backstop Commitment; provided further however, that notwithstanding the foregoing, and for the avoidance of doubt, the unpaid reasonable and documented out-of-pocket fees and expenses (including legal fees and expenses) of the Administrative Agent through and including the Effective Date shall be paid in full, in Cash to the Administrative Agent. In addition, and pursuant to the provisions of Section 5.4 of the Plan, each Holder of a Term Facility Claim (other than a Backstop Party) shall have the right to require that the Backstop Parties purchase in Cash from such Holder, on the Effective Date, its *pro rata* share of the New Second Lien Notes which it receives pursuant to Section 4.2(b) of the Plan for the face amount of such Holder's New Second Lien Notes.	Yes.	100%
Class 3	Revolver Claims	On the Effective Date or as soon thereafter as is reasonably practicable, in full and final satisfaction, settlement, release and discharge of and in exchange for each and every Allowed Class 3 Claim, each Holder of an Allowed Revolver Claim shall receive payment in full, in Cash.	No (deemed to accept).	100%
Class 4	Other Secured Claims	On the Effective Date or as soon thereafter as is reasonably practicable, in full and final satisfaction, settlement, release and discharge of and in exchange for each and every Allowed Class 4 Claim, each Holder of an Allowed Other Secured Claim shall, at the Debtors' option, (i) receive payment in full, in Cash, (ii) be reinstated pursuant to Bankruptcy Code section 1124, or (iii) receive such other recovery to be determined by the Debtors in their sole discretion.	No (deemed to accept).	100%

Class	Description	Treatment	Entitled to Vote	Estimated Recovery
Class 5	PIK Notes Claims	On the Effective Date, or as soon thereafter as is reasonably practicable, in full and final satisfaction, settlement, release and discharge of and in exchange for each and every Allowed Class 5 Claim, each Holder of an Allowed PIK Notes Claim shall receive, at the Debtors' option, but with the Committee's consent, as described in the succeeding sentence, its *pro rata* share of $24,790,102, plus accrued and unpaid interest, in the form of either (i) New Second Lien Notes, (ii) New PIK Notes, (iii) New Preferred Stock, or (iv) a combination of the foregoing. The Debtors shall require the consent of the Committee (which consent shall not be unreasonably withheld or delayed) in determining the form of consideration to be distributed pursuant to Section 4.5(b) of the Plan; *provided, however*, that (i) the Committee may not require the Debtors to issue a security or debt instrument to the extent that the terms thereof violate the terms of any Plan Supplement Document and (ii) the consent of the members of the Committee holding two-thirds in principal amount of the Allowed PIK Notes Claims held by the Committee at the time the determination is made as to the form of the PIK Notes Claims distribution shall be required in connection with Section 4.5(b) of the Plan.	Yes.	100%
Class 6	Subordinated Notes Claims	On the Effective Date, or as soon thereafter as is reasonably practicable, in full and final satisfaction, settlement, release and discharge of and in exchange for each and every Allowed Class 6 Claim, each Holder of a Subordinated Notes Claim shall receive its *pro rata* share of the Class 6 Distribution Pool.	Yes.	53.5%
Class 7	2011 Notes Claims	On the Effective Date, or as soon thereafter as is reasonably practicable, in full and final satisfaction, settlement, release and discharge of and in exchange for each and every Allowed Class 7 Claim, each Holder of an Allowed 2011 Notes Claim shall receive its *pro rata* share of the Class 7 Distribution Pool.	Yes.	53.5%

Class	Description	Treatment	Entitled to Vote	Estimated Recovery
Class 8	General Unsecured Claims	In full and final satisfaction, settlement, release and discharge of and in exchange for each and every Allowed Class 8 Claim, each Holder of an Allowed General Unsecured Claim shall receive payment in full, in Cash of the unpaid portion of its Allowed General Unsecured Claim on the latest of (i) the Effective Date (or as soon thereafter as is reasonably practicable), (ii) the date on which such Claim becomes Allowed or would otherwise be paid in the ordinary course of the Debtors' business, or (iii) as otherwise agreed by the Debtors and the Holder of such Claim; provided, however, that the Debtors may seek authority from the Bankruptcy Court to pay certain General Unsecured Claims in advance of the Effective Date in the ordinary course of business. The Debtors reserve their rights, however, to dispute the validity of any General Unsecured Claim, whether or not objected to prior to the Effective Date.	No (deemed to accept).	100%
Class 9	Intercompany Claims	On or as soon as practicable after the Effective Date, in full and final satisfaction, settlement, release and discharge of and in exchange for each and every Allowed Class 9 Claim, all Allowed Intercompany Claims will be adjusted, continued, or discharged to the extent determined appropriate by the Debtors. Any such transaction may be effected on or subsequent to the Effective Date without any further action by the stockholders of the Reorganized Debtors.	No (deemed to accept).	N/A
Class 10	Interests	On the Effective Date, all Interests in AMI shall be cancelled and shall be of no further force and effect, whether surrendered for cancellation or otherwise. Holders of Interests in AMI shall neither receive distributions nor retain any property under the Plan on account of such Interests in AMI.	No (deemed to reject).	0%

1. ***Description of Unclassified Claims***

Generally, the Plan provides for the payment in full of Administrative Expense Claims and Priority Tax Claims. The Debtors estimate that the amount of such Claims will be approximately $30 million in Administrative Expense Claims and approximately TBD in Priority Tax Claims, assuming the Plan becomes effective within 45 days after the Petition Date. Delays in the case due to litigation, regulatory approvals, or unforeseen events could materially increase the amount of such Claims.

(a) Administrative Expense Claims

Administrative Expense Claims include any right to payment constituting a cost or expense of administration of any of the Chapter 11 Cases Allowed under and in accordance with, as applicable, Bankruptcy Code sections 330, 364(c)(1), 365, 503(b), 507(a)(2) and 507(b), including, without limitation, (a) any actual and necessary costs and expenses of preserving the Debtors' Estates or operating the Debtors' businesses, (b) any indebtedness or obligations incurred or assumed by the Debtors, as debtors in possession, during the Chapter 11 Cases, (c) any compensation for professional services rendered and reimbursement of expenses incurred by a professional retained by order of the Bankruptcy Court or otherwise allowed pursuant to Bankruptcy Code section 503(b), and (d) the Indenture Trustee Fee Claims.

Except with respect to Administrative Expense Claims that are for professional compensation and except to the extent that a Holder of an Allowed Administrative Expense Claim and the applicable Debtor(s) agree to less favorable treatment with respect to such Holder, each Holder of an Allowed Administrative Expense Claim shall be paid in full, in Cash, on the later of: (a) on or as soon as reasonably practicable after the Effective Date; (b) on or as soon as reasonably practicable after the date such Administrative Expense Claim is Allowed; and (c) the date such Allowed Administrative Expense Claim becomes due and payable, or as soon thereafter as is practicable; *provided, however*, that Allowed Administrative Expense Claims that arise in the ordinary course of the Debtors' businesses shall be paid in full in the ordinary course of business in accordance with the terms and subject to the conditions of any agreements governing, instruments evidencing or other documents relating to, such transactions.

(b) Professional Compensation and Reimbursement Claims

Except as provided in Section 2.1 of the Plan, all entities seeking awards by the Bankruptcy Court of compensation for services rendered or reimbursement of expenses incurred through and including the Confirmation Date under Bankruptcy Code sections 330, 331, 503(b)(2), 503(b)(3), 503(b)(4) or 503(b)(5) shall (a) file, on or before the date that is forty-five (45) days after the Effective Date, their respective applications for final allowances of compensation for services rendered and reimbursement of expenses incurred, and (b) be paid in full, in Cash, in such amounts as are Allowed by the Bankruptcy Court in accordance with the order relating to or Allowing any such Administrative Expense Claim. The Reorganized Debtors are authorized to pay compensation for professional services rendered and reimbursement of expenses incurred after the Confirmation Date in the ordinary course and without the need for Bankruptcy Court approval. The Reorganized Debtors shall pay all reasonable fees, costs and expenses of the Committee's counsel incurred through and including the Confirmation Date without the need for approval by the Bankruptcy Court.

(c) Priority Tax Claims

Priority Tax Claims consist of any Claim of a governmental unit of the kind entitled to priority in payment as specified in Bankruptcy Code sections 502(i) and 507(a)(8).

Except to the extent that a Holder of an Allowed Priority Tax Claim agrees to a different treatment, each Holder of an Allowed Priority Tax Claim shall, in full satisfaction, release, and discharge of such Allowed Priority Tax Claim, (a) to the extent that such Claim is due and owing on the Effective Date, be paid in full, in Cash, on the Effective Date, or (b) to the extent that such Claim is not due and owing on the Effective Date, be paid in full, in Cash, in accordance with the terms of any agreement between the Debtors and such Holder, or as may be due and owing under applicable non-bankruptcy law, or in the ordinary course of business.

2. ***Description of Classified Claims***

(a) Priority Non-Tax Claims (Class 1)

The Claims in Class 1 are Claims against any of the Debtors, other than an Administrative Expense Claim or a Priority Tax Claim, entitled to priority in payment as specified in Bankruptcy Code sections 507(a)(3), (4), (5), (6), (7) or (9).

Impairment and Voting. Class 1 is unimpaired by the Plan. No Holder of an Allowed Priority Non-Tax Claim is entitled to vote to accept or reject the Plan and shall be conclusively deemed to have accepted the Plan.

Distributions. Except to the extent that a Holder of an Allowed Priority Non-Tax Claim against any of the Debtors agrees to a different treatment, in full and final satisfaction, settlement, release and discharge of and in exchange for each and every Allowed Class 1 Claim, each such Holder shall receive, in full satisfaction of such Claim, Cash in an amount equal to such Claim, on or as soon as reasonably practicable after the latest of (i) the Effective Date, (ii) the date such Claim becomes Allowed, and (iii) the date for payment provided by any agreement or understanding between the applicable Debtor and the Holder of such Claim.

(b) Term Facility Claims (Class 2)

The Claims in Class 2 include any Claims arising under the Term Facility, which shall include, without limitation, any and all obligations of the Debtors under the Term Facility, due and owing on the Effective Date.

Impairment and Voting. Class 2 is impaired by the Plan. The Term Facility Claims shall be Allowed in the aggregate amount of (i) $445,675,713.80 (for the avoidance of doubt, such amount includes the principal amount outstanding, any prepayment penalties due and owing, and that portion of the deferred consent fee allocable to the Term Facility Claims), plus (ii) (a) all accrued and unpaid interest thereon (including all accrued and unpaid interest on any prepayment penalties due and owing and the deferred consent fee) at the non-default contract rate under the 2009 Credit Agreement as of the Effective Date, except to the extent such interest is otherwise provided herein to be paid or satisfied and (b) all unpaid reasonable and documented out-of-pocket fees and expenses (including legal fees and expenses) of the Administrative Agent through and including the Effective Date, which fees and expenses shall be paid in full, in Cash. Each Holder of an Allowed Term Facility Claim is entitled to vote to accept or reject the Plan.

Distributions. On the Effective Date or as soon thereafter as is reasonably practicable, in full and final satisfaction, settlement, release and discharge of and in exchange for each and every Allowed Class 2 Claim, each Holder of an Allowed Term Facility Claim shall receive its *pro rata* share, on a dollar for dollar basis of the following in an aggregate amount equal to the Allowed amount of all Term Facility Claims: (i) Cash, in an amount to be determined by the Debtors but in any event no less than 70% of the amount of all Allowed Term Facility Claims; and (ii) New Second Lien Notes; provided however, that the aggregate amount of New Second Lien Notes distributed to Term Facility Lenders shall not be greater than the Backstop Commitment; provided further however, that notwithstanding the foregoing, and for the avoidance of doubt, the unpaid reasonable and documented out-of-pocket fees and expenses (including legal fees and expenses) of the Administrative Agent through and including the Effective Date shall be paid in full, in Cash to the Administrative Agent. In addition, and pursuant to the provisions of Section 5.4 of the Plan, each Holder of a Term Facility Claim (other than a Backstop Party) shall have the right to require that the

Backstop Parties purchase in Cash from such Holder, on the Effective Date, its *pro rata* share of the New Second Lien Notes which it receives pursuant to Section 4.2(b) of the Plan for the face amount of such Holder's New Second Lien Notes.

(c) Revolver Claims (Class 3)

The Claims in Class 3 include any Claims arising under the Revolving Facility.

Impairment and Voting. Class 3 is unimpaired by the Plan. The Revolver Claims shall be allowed in the aggregate amount of (i) $60,822,634.69 (for the avoidance of doubt, such amount includes the principal amount outstanding and that portion of the deferred consent fee allocable to the Revolver Claims), plus (ii) all accrued and unpaid interest thereon (including all accrued and unpaid interest on the deferred consent fee) at the non-default contract rate under the 2009 Credit Agreement as of the Effective Date, except to the extent such interest is otherwise provided herein to be paid or satisfied and (b) all unpaid reasonable and documented out-of-pocket fees and expenses (including legal fees and expenses) of the Administrative Agent through and including the Effective Date. No Holder of an Allowed Revolver Claim is entitled to vote to accept or reject the Plan and shall be conclusively deemed to have accepted the Plan.

Distributions. On the Effective Date or as soon thereafter as is reasonably practicable, in full and final satisfaction, settlement, release and discharge of and in exchange for each and every Allowed Class 3 Claim, each Holder of an Allowed Revolver Claim shall receive payment in full, in Cash.

(d) Other Secured Claims (Class 4)

The Claims in Class 4 include any Secured Claim other than a Term Facility Claim or a Revolver Claim.

Impairment and Voting. Class 4 is unimpaired by the Plan. No Holder of an Allowed Other Secured Claim is entitled to vote to accept or reject the Plan and shall be conclusively deemed to have accepted the Plan.

Distributions. On the Effective Date or as soon thereafter as is reasonably practicable, in full and final satisfaction, settlement, release and discharge of and in exchange for each and every Allowed Class 4 Claim, each Holder of an Allowed Other Secured Claim shall, at the Debtors' option, (i) receive payment in full, in Cash, (ii) be reinstated pursuant to Bankruptcy Code section 1124, or (iii) receive such other recovery to be determined by the Debtors in their sole discretion.

(e) PIK Notes Claims (Class 5)

The Claims in Class 5 include any Claim arising under the PIK Notes Indenture.

Impairment and Voting. Class 5 is impaired by the Plan. The PIK Notes Claims shall be Allowed in the aggregate amount of $24,790,102, plus accrued and unpaid interest thereon as of the Petition Date. Each Holder of an Allowed PIK Notes Claim is entitled to vote to accept or reject the Plan.

Distributions. On the Effective Date, or as soon thereafter as is reasonably practicable, in full and final satisfaction, settlement, release and discharge of and in exchange for each and every Allowed Class 5 Claim, each Holder of an Allowed PIK Notes Claim shall receive, at the Debtors'

option, but with the Committee's consent, as described in the succeeding sentence, its *pro rata* share of $24,790,102, plus accrued and unpaid interest, in the form of either (i) New Second Lien Notes, (ii) New PIK Notes, (iii) New Preferred Stock, or (iv) a combination of the foregoing. The Debtors shall require the consent of the Committee (which consent shall not be unreasonably withheld or delayed) in determining the form of consideration to be distributed pursuant to Section 4.5(b) of the Plan; *provided, however*, that (i) the Committee may not require the Debtors to issue a security or debt instrument to the extent that the terms thereof violate the terms of any Plan Supplement Document and (ii) the consent of the members of the Committee holding two-thirds in principal amount of the Allowed PIK Notes Claims held by the Committee at the time the determination is made as to the form of the PIK Notes Claims distribution shall be required in connection with Section 4.5(b) of the Plan.

(f) Subordinated Notes Claims (Class 6)

The Claims in Class 6 include any Claim arising from the Subordinated Notes Indenture.

Impairment and Voting. Class 6 is impaired by the Plan. The Subordinated Notes Claims shall be Allowed in the aggregate amount of $355,756,041, plus accrued and unpaid interest thereon as of the Petition Date. Each Holder of an Allowed Subordinated Notes Claim is entitled to vote to accept or reject the Plan.

Distributions. On the Effective Date, or as soon thereafter as is reasonably practicable, in full and final satisfaction, settlement, release and discharge of and in exchange for each and every Allowed Class 6 Claim, each Holder of a Subordinated Notes Claim shall receive its *pro rata* share of the Class 6 Distribution Pool.

(g) 2011 Notes Claims (Class 7)

The Claims in Class 7 include any Claim arising under the 2011 Notes Indenture.

Impairment and Voting. Class 7 is impaired by the Plan. The 2011 Notes Claims shall be Allowed in the aggregate amount of $7,501,676, plus accrued and unpaid interest thereon as of the Petition Date. Each Holder of an Allowed 2011 Notes Claim is entitled to vote to accept or reject the Plan.

Distributions. On the Effective Date, or as soon thereafter as is reasonably practicable, in full and final satisfaction, settlement, release and discharge of and in exchange for each and every Allowed Class 7 Claim, each Holder of an Allowed 2011 Notes Claim shall receive its *pro rata* share of the Class 7 Distribution Pool.

(h) General Unsecured Claims (Class 8)

The Claims in Class 8 include any Claim against any of the Debtors that (a) is not an Administrative Expense Claim, Priority Tax Claim, Priority Non-Tax Claim, Term Facility Claim, Revolver Claim, Other Secured Claim, PIK Notes Claim, Subordinated Notes Claim, 2011 Notes Claim, or Intercompany Claim or (b) is otherwise determined by the Bankruptcy Court to be a General Unsecured Claim.

Impairment and Voting. Class 8 is unimpaired by the Plan. No Holder of an Allowed General Unsecured Claim is entitled to vote to accept or reject the Plan and shall be conclusively deemed to have accepted the Plan.

Distributions. In full and final satisfaction, settlement, release and discharge of and in exchange for each and every Allowed Class 8 Claim, each Holder of an Allowed General Unsecured Claim shall receive payment in full, in Cash of the unpaid portion of its Allowed General Unsecured Claim on the latest of (i) the Effective Date (or as soon thereafter as is reasonably practicable), (ii) the date on which such Claim becomes Allowed or would otherwise be paid in the ordinary course of the Debtors' business, or (iii) as otherwise agreed by the Debtors and the Holder of such Claim; provided, however, that the Debtors may seek authority from the Bankruptcy Court to pay certain General Unsecured Claims in advance of the Effective Date in the ordinary course of business. The Debtors reserve their rights, however, to dispute the validity of any General Unsecured Claim, whether or not objected to prior to the Effective Date.

(i) Intercompany Claims (Class 9)

The Claims in Class 9 include any Claim held by (i) a Debtor against another Debtor or (ii) a non-Debtor subsidiary against a Debtor.

Impairment and Voting. Class 9 is impaired by the Plan. No Holder of an Allowed Intercompany Claim is entitled to vote to accept or reject the Plan and shall be conclusively deemed to have accepted the Plan.

Distributions. On or as soon as practicable after the Effective Date, in full and final satisfaction, settlement, release and discharge of and in exchange for each and every Allowed Class 9 Claim, all Allowed Intercompany Claims will be adjusted, continued, or discharged to the extent determined appropriate by the Debtors. Any such transaction may be effected on or subsequent to the Effective Date without any further action by the stockholders of the Reorganized Debtors.

(j) Equity Interests in AMI (Class 10)

The Equity Interests in Class 10 include any equity security in AMI as defined in Bankruptcy Code section 101(16), including all issued, unissued, authorized or outstanding shares of capital stock of AMI together with any warrants, options or contractual rights to purchase or acquire such equity securities at any time and all rights arising with respect thereto, including, without limitation, rights to purchase restricted stock or interests.

Impairment and Voting. Class 10 is impaired by the Plan. No Holder of an Allowed Interest in AMI is entitled to vote to accept or reject the Plan and shall be conclusively deemed to have rejected the Plan.

Distributions. On the Effective Date, all Interests in AMI shall be cancelled and shall be of no further force and effect, whether surrendered for cancellation or otherwise. Holders of Interests in AMI shall neither receive distributions nor retain any property under the Plan on account of such Interests in AMI.

V.

MEANS FOR IMPLEMENTATION OF THE PLAN

The transactions described in this Section V constitute the "***Means for Implementation***" provided for in the Plan.

A. Substantive Consolidation

Substantive consolidation is an equitable remedy that the Court may be asked to apply in chapter 11 cases involving affiliated debtors. Substantive consolidation involves the pooling and merging of the assets and liabilities of the affected debtors. All of the debtors in the substantively consolidated group are treated as if they were a single corporate and economic entity. Consequently, a creditor of one of the substantively consolidated group of debtors and issues of individual corporate ownership of property and individual corporate liability on obligations are ignored.

Substantive consolidation of two or more debtors' estates generally results in the deemed consolidation of the assets and liabilities of the debtors, the deemed elimination of intercompany claims, subsidiary equity or ownership interests, multiple and duplicative creditor claims, joint and several liability claims and guarantees, and the payment of allowed claims from a common fund.

The Plan is premised upon the substantive consolidation of the Debtors for purposes of the Plan only. The Debtors propose procedural substantive consolidation to avoid the inefficiency of proposing, voting on, and making distributions in respect of Entity-specific claims. Accordingly, on the Effective Date, all of the Debtors and their Estates shall, for purposes of the Plan only, be deemed merged and (a) all assets and liabilities of the Debtors shall be treated for purposes of the Plan only as though they were merged, (b) all guarantees of the Debtors of payment, performance, or collection of obligations of any other Debtor shall be eliminated and cancelled, (c) all joint obligations of two (2) or more Debtors, and all multiple Claims against such entities on account of such joint obligations, shall be considered a single Claim against the Debtors, and (d) any Claim filed in the Chapter 11 Cases shall be deemed filed against the consolidated Debtors and a single obligation of the Debtors on and after the Effective Date. Unless otherwise set forth herein, such substantive consolidation shall not (other than for voting, treatment, and distribution purposes under the Plan) affect (i) the legal and corporate structures of the Debtors (including the corporate ownership of the Debtor Subsidiaries), (ii) any Intercompany Claims, or (iii) the substantive rights of any creditor. If any party in interest challenges the proposed limited substantive consolidation, the Debtors reserve the right to establish at the Confirmation Hearing the ability to confirm the Plan on an Entity-by-Entity basis.

Unless the Court has approved the substantive consolidation of the Debtors' estates by a prior order, the Plan shall serve as, and shall be deemed to be, a motion for entry of an order substantively consolidating the Debtors' estates. If no objection to substantive consolidation is timely filed and served, then the Substantive Consolidation Order may be entered by the Court. If any such objection(s) is timely filed and served, a hearing with respect to the substantive consolidation of the Debtors' estates and the objections thereto shall be scheduled by the Court, which hearing may coincide with the Confirmation Hearing.

B. Corporate Action

1. ***General***

Upon the Effective Date, all actions contemplated by the Plan shall be deemed authorized and approved in all respects, including (i) assumption of the Management Agreements, (ii) selection of the directors and officers for the Reorganized Debtors, (iii) issuance of the New Common Stock by Reorganized AMI, (iv) incurrence of the New First Lien Notes and the New Second Lien Notes, (v) release of the proceeds of the New First Lien Notes Offering and the New Second Lien Notes Offering from escrow, (vi) execution of the New Revolver Facility Credit Agreement, (vii) issuance of the New Preferred Stock, if applicable, (viii) issuance of the New PIK Notes, if applicable, (ix) adoption of the Equity Incentive Plan, (x) adoption of the Director Severance Plan, and (xi) all other

actions contemplated by the Plan (whether to occur before, on or after the Effective Date). All matters provided for in the Plan involving the corporate structure of the Debtors or the Reorganized Debtors, and any corporate action required by the Debtors or the Reorganized Debtors in connection with the Plan shall occur in accordance with the Plan and any governing agreements or transfer documents shall be in effect, without any requirement of further action by the security Holders, directors or officers of the Debtors or the Reorganized Debtors. On or (as applicable) prior to the Effective Date, the appropriate officers of the Debtors or the Reorganized Debtors, as applicable, shall be authorized and directed to issue, execute and deliver the agreements, documents, securities, and instruments contemplated by the Plan (or necessary or desirable to effect the transactions contemplated by the Plan) in the name of and on behalf of the Reorganized Debtors, including, without limitation, (i) the New PIK Notes Indenture, if applicable, (ii) the New First Lien Indenture, (iii) the New Second Lien Indenture, (iv) the New Revolver Facility Credit Agreement, (v) the Stockholders Agreement, (vi) the Intercreditor Agreements, (vii) the registration rights agreements relating to the New First Lien Notes and the New Second Lien Notes, and (viii) any and all other agreements, documents, securities and instruments relating to the foregoing (including, without limitation, security documents). The authorizations and approvals contemplated by Section 5.2(a) of the Plan shall be effective notwithstanding any requirements under non-bankruptcy law.

2. ***Restated Certificate of Incorporation, New Preferred Stock Certificate of Designation (if Applicable) and Restated Bylaws of Reorganized AMI and the Other Reorganized Debtors***

On the Effective Date, Reorganized AMI shall adopt the Restated Certificate of Incorporation, the New Preferred Stock Certification of Designation (if applicable) and the Restated Bylaws, and shall file the Restated Certificate of Incorporation and the New Preferred Stock Certification of Designation (if applicable) with the Secretary of State of the State of Delaware. In addition, on or before the Effective Date, pursuant to and only to the extent required by Bankruptcy Code section 1123(a)(6), the Restated Certificate of Incorporation, the New Preferred Stock Certification of Designation (if applicable), the certificates of incorporation of the Debtors that are corporations, and the organization documents for the Debtors that are limited liability companies shall also be amended (and as to the corporate Debtors, filed with the Secretary of State of their respective states of incorporation) as necessary to satisfy the provisions of the Bankruptcy Code and shall include, among other things, (i) a provision increasing the number of authorized shares of Reorganized AMI, (ii) a provision prohibiting the issuance of non-voting equity securities and (iii) a provision setting forth an appropriate distribution of voting power among classes of equity securities possessing voting power. On the Effective Date, the New Boards of each corporate Reorganized Debtor shall be deemed to have adopted the restated certificate of incorporation and restated bylaws for such Reorganized Debtor.

3. ***Boards of Directors of Reorganized AMI and the Other Reorganized Debtors***

On the Effective Date, the operation of Reorganized AMI and AMO shall become the general responsibility of their respective boards of directors, subject to, and in accordance with, the Restated Certificate of Incorporation and Restated Bylaws. On the Effective Date, the operation of each of the other Reorganized Debtors shall become the general responsibility of its respective board of directors or board of managers, as applicable, subject to and in accordance with its respective restated certificates of incorporation and restated bylaws or other organizational documents. The initial boards of directors of Reorganized AMI, Reorganized AMO and the other Reorganized Debtors shall be disclosed in the Plan Supplement. The initial boards of directors of Reorganized AMI and Reorganized AMO shall be composed of nine members, eight of whom shall be selected by members

of the Committee consistent with the terms outlined in the Stockholders Agreement, and one of whom shall be the post-Effective Date chief executive officer of AMI and AMO.

4. ***Officers of Reorganized AMI and the Other Reorganized Debtors***

The initial officers of Reorganized AMI and the other Reorganized Debtors shall be disclosed in the Plan Supplement. The selection of officers of Reorganized AMI and the other Reorganized Debtors after the Effective Date shall be as provided in the respective restated certificates of incorporation and restated bylaws or other organizational documents of Reorganized AMI or the applicable Reorganized Debtor.

5. ***Escrow Issuer for the New First Lien Financing and the New Second Lien Financing, if applicable***

On the Petition Date, or as soon as practicable thereafter, the Debtors will file a motion (the "***Escrow Motion***") requesting an order from the Bankruptcy Court finding that New LLC and the Escrow Issuer are non-Debtor entities and that any proceeds of the New First Lien Notes Offering and the New Second Lien Notes Offering or other assets held by New LLC and Escrow Issuer will not be deemed property of the Debtors' Estates and will not be consolidated with the Debtors' assets or Estates. In addition, the Debtors will request Bankruptcy Court approval for authority to transfer approximately $15 million into escrow to pay fees, interest and other amounts associated with (y) the New First Lien Financing and (z) the New Second Lien Financing, to the extent the New Second Lien Notes are issued to third-party investors for Cash. Upon Bankruptcy Court approval of the Escrow Motion, the Escrow Issuer will (i) enter into related escrow agreements, pursuant to which the proceeds of the New First Lien Notes Offering, that portion of the New Second Lien Financing provided by third-party investors (if any) and other amounts relating to other payment obligations in respect of the New First Lien Financing and New Second Lien Financing will be held pending consummation of the Plan; (ii) grant a lien for the benefit of the New First Lien Holders on the proceeds from the New First Lien Notes Offering and all other assets in the applicable escrow account; and (iii) grant a lien for the benefit of the New Second Lien Holders on the proceeds from the New Second Lien Notes Offering (if any) who purchased their New Second Lien Notes for Cash and all other assets in the applicable escrow account. On the Effective Date, (a) the Escrow Issuer will merge into Reorganized AMO, which will assume the ongoing liability for the New First Lien Notes and New Second Lien Notes under the New First Lien Indenture and the New Second Lien Indenture, respectively, and the related registration rights agreements; (b) Reorganized AMO shall be authorized to distribute the New Second Lien Notes; (c) Reorganized AMO and the Reorganized Debtors shall be authorized to execute, deliver and enter into, *inter alia*, the Intercreditor Agreements and collateral documents without the need for any further corporate action and without further action by the Holders of Claims or Interests; and (d) the proceeds of the New First Lien Notes Offering and the New Second Lien Notes Offering (and any other amounts held in escrow) will be released from escrow.

C. Distribution of New Second Lien Financing

On the Effective Date, the New Second Lien Notes that were not issued for Cash in the New Second Lien Notes Offering shall be distributed on behalf of Reorganized AMO to (a) Holders of Allowed Term Facility Claims to the extent provided in Section 4.2 hereof, (b) at the election of the Debtors, Holders of Allowed PIK Notes Claims, to the extent provided in Section 4.5 hereof, and (c) the Backstop Parties as set forth in Section 4.2(b), 4.5(b) and 5.4 of the Plan.

D. Offer to Purchase New Second Lien Notes

Pursuant to and in accordance with the terms of the Backstop Agreement, the Backstop Parties have, severally and not jointly, committed to purchase their *pro rata* share (based upon their *pro rata* share of all Subordinated Notes held collectively by the Backstop Parties) of any New Second **Lien** Notes that would otherwise be distributed to the Holders of the Allowed Term Facility Claims (excluding any Backstop Party) pursuant to Section 4.2(b) hereof (the "***Backstop Commitment***") to the extent such Holders have made the election described in the next sentence. Holders of Allowed Term Facility Claims other than the Backstop Parties may elect to have the Backstop Parties purchase their *pro rata* share of the New Second Lien Notes for the face amount of such New Second Lien Notes pursuant to an election form that, subject to Bankruptcy Court approval, will be distributed to such Holders no later than 10 days after the Petition Date. Any Holder of an Allowed Term Facility Claim electing to have the Backstop Parties purchase their share of the New Second Lien Notes must do so by noting its election on such Holder's supplemental election form and returning same to the Debtors by no later than 10 Business Days after the date the election form is distributed. The mechanism by which electing Holders of Allowed Term Facility Claims will exercise their put option to ensure that such Holders will obtain Cash in exchange for their allocation of New Second Lien Notes will be set forth in the supplemental election form. Consummation of the purchase of such New Second Lien Notes shall occur on the Effective Date. If one or more Term Facility Lenders exercises its option to put its *pro rata* allocation of New Second Lien Notes to the Backstop Parties, the Backstop Parties shall receive from the Debtors a fee equal to 5% of the aggregate principal amount of New Second Lien Notes put to the Backstop Parties by the Term Facility Lenders, which fee shall be payable in Cash.

In addition, pursuant to and in accordance with the terms of the Backstop Agreement, in consideration for undertaking their commitments under the Backstop Agreement, the Backstop Parties shall be entitled to a fully earned and nonrefundable fee payable in fully-paid and non-assessable New Common Stock, representing 5% (the "***Backstop Percentage Interest***") of the New Common Stock to be issued and outstanding on the Effective Date, which 5% shall be calculated after giving effect to the issuance of New Common Stock to the Backstop Parties on account of any Subordinated Notes they hold and without dilution in respect of the Additional Shares (as defined below) (collectively, the "***Initial Shares***"); provided that, if the Backstop Parties are not required to purchase (or elect to receive) a portion of the New Second Lien Notes pursuant to the terms of the Backstop Agreement, then the Backstop Percentage Interest shall be reduced to 3.5%. In addition, on the Effective Date, each Backstop Party shall be entitled to such additional fully-paid and non-assessable shares of New Common Stock (collectively, the "***Additional Shares***" and, together with the Initial Shares, the "***Backstop Shares***") as are required so that its Initial Percentage Ownership shall not be diluted by the issuance of the Initial Shares. The issuance of Backstop Shares to the Backstop Parties shall be subject to dilution by the Equity Incentive Plan. The Backstop Agreement provides for the execution of a registration rights agreement, on commercially reasonable terms to be mutually agreed upon, to be entered into between the Reorganized Debtors and the Backstop Parties.

E. Issuance of New Common Stock and New Preferred Stock (If Applicable)

The issuance of New Common Stock and the New Preferred Stock (if applicable) by Reorganized AMI shall be authorized without the need for any further corporate action. On the Effective Date, Reorganized AMI shall issue the New Common Stock and the New Preferred Stock (if applicable). Reorganized AMI shall:

(a) issue the shares of New Common Stock to the Holders of Allowed 2011 Notes and Subordinated Notes as set forth herein;

(b) issue the New Preferred Stock to the Holders of Allowed PIK Notes, if applicable;

(c) pursuant to the Equity Incentive Plan described in Section 5.9 of the Plan, issue up to 6.5% of the shares of New Common Stock to certain employees, directors and consultants of the Reorganized Debtors and such employees, directors and consultants will be deemed parties to the Stockholders Agreement; and

(d) issue the Backstop Shares to the Backstop Parties pursuant to the Backstop Agreement.

F. Merger/Dissolution/Consolidation

On or as of the Effective Date or as soon as practicable thereafter and without the need for any further action, the Reorganized Debtors may (i) cause any or all of the Debtors to be merged into one or more of the Reorganized Debtors, dissolved or otherwise consolidated, (ii) cause the transfer of assets between or among the Reorganized Debtors, or (iii) engage in any other transaction in furtherance of the Plan. In addition, as of the Effective Date, the Escrow Issuer will merge into Reorganized AMO.

G. Cancellation of Existing Securities and Agreements

Except for purposes of evidencing a right to distributions under the Plan with respect to executory contracts or unexpired leases that have not been assumed by the Debtors or as otherwise provided hereunder, on the Effective Date, all of the agreements and other documents evidencing (a) the Claims or rights of any Holder of a Claim against the Debtors, including all credit agreements, indentures and notes evidencing such Claims, (b) the Interests in AMI, and (c) any options or warrants to purchase Interests of AMI, or obligating such Debtors to issue, transfer or sell Interests or any other capital stock of such Debtors, shall be cancelled.

H. Surrender of Existing Securities

As a condition precedent to receiving any distribution on account of the Notes, each record Holder of any such securities shall be deemed to have surrendered such securities or other underlying documentation and all such surrendered securities and other documentation shall be deemed to be cancelled in accordance with Section 5.7 of the Plan.

I. Equity Incentive Plan

As of the Effective Date, Reorganized AMI shall establish the Equity Incentive Plan, which will provide for up to 10% of the New Common Stock on a fully diluted basis, of which no more than 6.5% shall be immediately issued to the officers and key employees of the Reorganized Debtors and their affiliates as determined by the New Boards of Reorganized AMI and Reorganized AMO after the Effective Date.

J. Director Severance Plan

As of the Effective Date, the Reorganized Debtors shall establish the Director Severance Plan. Pursuant to the Director Severance Plan, the Debtors provide severance benefits to certain directors of AMI upon certain terminations of their service as members of the board. Upon the termination of the service of certain non-employee directors as a member of the board, such directors shall be entitled to receive a lump sum cash payment in an amount equal to $35,000 for each year and

partial year during which such director served on the board, payable within thirty (30) days following the date of termination.

K. Cancellation of Liens

Except as otherwise provided in the Plan, upon the occurrence of the Effective Date, any lien securing any Secured Claim shall be deemed released, and the Holder of such Secured Claim shall be authorized and directed to release any Collateral or other property of any Debtor (including any Cash Collateral) held by such Holder and to take such actions as may be requested by the Reorganized Debtors to evidence the release of such lien, including the execution, delivery and filing or recording of such releases.

L. Compromise of Controversies

In consideration for the distributions and other benefits provided under the Plan, the provisions of the Plan constitute a good faith compromise and settlement of all Claims and controversies resolved under the Plan, and the entry of the Confirmation Order shall constitute the Bankruptcy Court's approval of such compromise and settlement under Bankruptcy Rule 9019.

M. Stockholders Agreement

On the Effective Date, creditors, directors, officers and consultants who receive New Common Stock pursuant to the Plan will be deemed to become parties to the Stockholders Agreement as a result of the distribution they receive under the Plan. The Stockholders Agreement shall contain certain customary rights and obligations, including director designation rights, right of first offer, registration rights, drag rights, tag rights, minority transfer rights and rights to receive certain information concerning the Debtor's at a party's option and limits on the number of record holders. Each creditor, director, officer and consultant who receives New Common Stock pursuant to the Plan may be requested to execute the Stockholders Agreement as a result of the distribution they receive under the Plan.

N. Listing of New Common Stock and Transfer Restrictions

Other than as provided in the Stockholders Agreement, the Reorganized Debtors shall not be obligated, and do not intend, to list the New Common Stock on a national securities exchange. In order to ensure that Reorganized AMI will not become subject to the reporting requirements of the Securities Exchange Act, except in connection with a public offering, the New Certificate of Incorporation and the Stockholders Agreement will impose certain trading restrictions to limit the number of record holders thereof. The New Common Stock will be subject to certain transfer and other restrictions pursuant to the Stockholders Agreement and the New Certificate of Incorporation.

O. Exemption from Securities Laws

Section 3(a)(9) of the Securities Act provides that, except for securities exchanged in a case under chapter 11 of the Bankruptcy Code, the registration requirements of section 5 of the Securities Act shall not apply to securities exchanged by an issuer with its existing security Holders exclusively where no commission or other remuneration is paid or given directly or indirectly for soliciting such exchange. By virtue of section 18 of the Securities Act, section 3(a)(9) also provides that any state "blue sky" law requirements shall not apply to such exchange.

Section 4(2) of the Securities Act provides that the registration requirements of section 5 of the Securities Act shall not apply to the offer and sale of a security in connection with transactions not involving any public offering. By virtue of section 18 of the Securities Act, section 4(2) also provides that any state "blue sky" law requirements shall not apply to such offer or sale.

Section 1145 of the Bankruptcy Code provides that the registration requirements of section 5 of the Securities Act (and any state Blue Sky Law requirements) shall not apply to the offer or sale of stock, options, warrants, or other securities by a debtor if (a) the offer or sale occurs under a plan of reorganization; (b) the recipients of the securities hold a claim against, an interest in, or claim for administrative expense against, the debtor; and (c) the securities are issued in exchange for a claim against or interest in a debtor or are issued principally in such exchange and partly for cash and property.

In reliance upon these exemptions, the distribution pursuant to the Plan of the New Common Stock, New Preferred Stock, if applicable, New PIK Notes, if applicable, and New Second Lien Notes to Holders will not be registered under the Securities Act or any state "blue sky" law requirements.

P. Exemption from Transfer Taxes

Pursuant to Bankruptcy Code section 1146(a), any issuance, transfer or exchange of notes or equity securities under the Plan, the creation of any mortgage, deed of trust or other security interest, the making or assignment of any lease or sublease, or the making or delivery of any instrument of transfer from a Debtor to a Reorganized Debtor or any other Person pursuant to the Plan shall not be subject to any document recording tax, stamp tax, conveyance fee, intangibles or similar tax, mortgage tax, real estate transfer tax, mortgage recording tax or other similar tax or governmental assessment, and the Confirmation Order shall direct the appropriate state or local governmental officials or agents to forego the collection of any such tax or governmental assessment and to accept for filing and recordation any of the foregoing instruments or other documents without the payment of any such tax or governmental assessment. Without limiting the foregoing, any issuance, transfer or exchange of a security or any making or delivery of an instrument of transfer pursuant to the Plan shall be exempt from the imposition and payment of any and all transfer taxes (including, without limitation, any and all stamp taxes or similar taxes and any interest, penalties and addition to the tax that may be required to be paid in connection with the Consummation of the Plan and the Plan Supplement Documents) pursuant to Bankruptcy Code sections 1146(a), 505(a), 106 and 1141.

Q. D&O Insurance Policy

As of the Effective Date, the Reorganized Debtors will assume the D&O Insurance Policy pursuant to Bankruptcy Code section 365(a). Entry of the Confirmation Order shall constitute the Bankruptcy Court's approval of the Debtors' foregoing assumption of the D&O Insurance Policy. Until the sixth anniversary of the Effective Date, Reorganized AMI shall, and shall cause Reorganized AMO, to cause the individuals serving as directors of the Reorganized Debtors to be covered by the D&O Insurance Policy (provided that Reorganized AMI and/or Reorganized AMO may substitute therefor policies of at least the same coverage and amounts containing terms and conditions that are not less advantageous in any material respect than the D&O Insurance Policy); provided that in no event shall Reorganized AMI or Reorganized AMO be required to expend annually in the aggregate an amount in excess of 150.0% of the annual premiums currently paid by AMI for such insurance (the "***Insurance Amount***"), and provided further that if Reorganized AMI is unable to maintain the D&O Insurance Policy (or such substitute policy) as a result of the preceding

proviso, Reorganized AMI shall obtain as much comparable insurance as is available for the Insurance Amount.

VI.

OTHER ASPECTS OF THE PLAN

A. Distributions

1. *Voting of Claims*

Each Holder of an Allowed Claim in an impaired class of Claims that is entitled to vote on the Plan pursuant to Sections 3 and 4 of the Plan shall be entitled to vote separately to accept or reject the Plan, as provided in such order as is entered by the Bankruptcy Court approving procedures with respect to the solicitation and tabulation of votes to accept or reject the Plan, or any other order of the Bankruptcy Court.

2. *Cramdown and No Unfair Discrimination*

In the event that any impaired Class of Claims or Interests rejects the Plan or is deemed to have rejected the Plan, the Debtors reserve the right, without any delay in the occurrence of the Confirmation Hearing or Effective Date, to (a) request that the Bankruptcy Court confirm the Plan in accordance with Bankruptcy Code section 1129(b) with respect to such non-accepting Class, in which case the Plan shall constitute a motion for such relief, and/or (b) amend the Plan in accordance with Section 12.6 of the Plan.

3. *Timing and Conditions of Distributions*

(a) Distribution Record Date

As of the close of business on the Distribution Record Date, the various transfer registers for each of the Classes of Claims as maintained by the Debtors, or their respective agents, shall be deemed closed, and there shall be no further changes in the record Holders of any of the Claims. The Debtors or the Reorganized Debtors, as applicable, shall have no obligation to recognize any transfer of the Claims occurring on or after the Distribution Record Date. The Debtors, the Reorganized Debtors or any party responsible for making distributions pursuant to Section 6 of the Plan shall be entitled to recognize and deal for all purposes hereunder only with those record Holders stated on the transfer ledgers as of the close of business on the Distribution Record Date, to the extent applicable.

(b) Date of Distributions

Except as otherwise provided herein, any distributions and deliveries to be made hereunder shall be made on the Effective Date or as soon thereafter as is reasonably practicable. In the event that any payment or act under the Plan is required to be made or performed on a date that is not a Business Day, then the making of such payment or the performance of such act may be completed on the next succeeding Business Day, but shall be deemed to have been completed as of the required date.

(c) Sources of Cash for Distribution

Except as otherwise provided herein or in the Confirmation Order, all Cash required for the payments to be made hereunder shall be obtained from the Debtors' and the Reorganized Debtors' operations, Cash on hand, the New Revolver Facility, New First Lien Financing, and that portion, if any, of the New Second Lien Financing that is issued for Cash.

(d) Disbursement Agent

Unless otherwise specified herein, all distributions under this Plan shall be made by AMO as Disbursement Agent or such other Entity designated by AMO as a Disbursement Agent on the Effective Date. No Disbursement Agent hereunder, including, without limitation, the Administrative Agent and the Indenture Trustees, shall be required to give any bond or surety or other security for the performance of its duties unless otherwise ordered by the Bankruptcy Court.

(e) Rights and Powers of the Disbursement Agent

Each Disbursement Agent shall be empowered to (a) effect all actions and execute all agreements, instruments, and other documents necessary to perform its duties hereunder, (b) make all distributions contemplated hereby, (c) employ professionals to represent it with respect to its responsibilities, and (d) exercise such other powers as may be vested in the Disbursement Agent by order of the Bankruptcy Court, pursuant to the Plan or as deemed by such Disbursement Agent to be necessary and proper to implement the provisions hereof.

(f) Expenses of the Disbursement Agent

Except as otherwise ordered by the Bankruptcy Court, any reasonable fees and expenses incurred by each Disbursement Agent acting in such capacity (including taxes and reasonable attorneys' fees and expenses) on or after the Effective Date shall be paid in Cash by the Reorganized Debtors in the ordinary course of business.

(g) Delivery of Distributions

(i) Last Known Address. Subject to Bankruptcy Rule 9010, all distributions to any Holder of an Allowed Claim shall be made to the address of such Holder as set forth in the books and records of the Debtors, unless the applicable Reorganized Debtor has been notified in writing of a change of address. In the event that any distribution to any Holder is returned as undeliverable, the Disbursement Agent shall use reasonable efforts to determine the current address of such Holder, but no distribution to such Holder shall be made unless and until the Disbursement Agent has determined the then-current address of such Holder, at which time such distribution shall be made to such Holder without interest; *provided, however*, that such distributions shall be deemed unclaimed property under Bankruptcy Code section 347(b) at the expiration of one (1) year from the Effective Date. After such date, all unclaimed property or interest in property shall revert to the Reorganized Debtors, and the Claim of any other Holder to such property or interest in property shall be discharged and forever barred notwithstanding any applicable federal or state escheat, abandoned or unclaimed property laws to the contrary.

(ii) Distributions by Administrative Agent. The Administrative Agent shall be the Disbursement Agent for the Term Facility Claims. Distributions under the Plan to Holders of such Allowed Term Facility Claims shall be made by the Reorganized Debtors to the Administrative Agent, which, in turn, shall make the distributions to the Holders of such Allowed

Claims. The Administrative Agent shall not be required to give any bond, surety or other security for the performance of its duties with respect to its administration of distributions. Upon delivery by the Reorganized Debtors of the distributions to the Administrative Agent in conformity with Section 4.2(b) and 4.3(b) of the Plan, the Reorganized Debtors shall be released of all liability with respect to the delivery of such distributions.

(iii) Distributions by Indenture Trustee. The Indenture Trustees shall be the Disbursement Agent for the Allowed Notes Claims. Distributions under the Plan to Holders of Allowed Notes Claims shall be made by Reorganized Debtors to, or at the direction of, the Indenture Trustees, which, in turn, shall make or direct the distributions to the Holders of such Allowed Notes Claims and, upon completion thereof, shall be discharged from all of their obligations associated with the 2011 Notes, Subordinated Notes and the PIK Notes. Upon delivery of the distribution or at the direction of, the Indenture Trustees, the Reorganized Debtors shall be released of all liability with respect to the delivery of such distributions. The Indenture Trustees shall not be required to give any bond, surety or other security for the performance of their duties with respect to their administration of distributions.

(h) Manner of Payment Under the Plan

(i) All distributions of New Second Lien Notes to the Holders of Claims under the Plan shall be made by, or at the direction of, the applicable Disbursement Agent on behalf of Reorganized AMO.

(ii) All distributions of New Common Stock to the Holders of Claims and the Backstop Parties under the Plan shall be made by the Disbursement Agent on behalf of Reorganized AMI.

(iii) All distributions of New Common Stock to employees, directors and consultants made on account of the Equity Incentive Plan shall be made by Reorganized AMI.

(iv) All distributions of New Preferred Stock, if any, to Holders of Claims under the Plan shall be made by the Disbursement Agent on behalf of Reorganized AMI.

(v) All distributions of Cash under the Plan shall be made by the applicable Disbursement Agent on behalf of the applicable Debtor.

(vi) At the option of the applicable Disbursement Agent, any Cash payment to be made hereunder may be made by a check or wire transfer or as otherwise required or provided in applicable agreements.

(i) No Fractional Shares of New Common Stock or New Preferred Stock, if Any

No fractional shares of New Common Stock or New Preferred Stock, if any, shall be issued or distributed under the Plan and no Cash shall be distributed in lieu of such fractional shares. When any distribution pursuant to the Plan on account of an Allowed Claim would otherwise result in the issuance of a number of shares of New Common Stock or New Preferred Stock, if any, that is not a whole number, the actual distribution of shares of New Common Stock or New Preferred Stock, if any, shall be rounded as follows: (a) fractions of one-half (½) or greater shall be rounded to the next

higher whole number and (b) fractions of less than one-half (½) shall be rounded to the next lower whole number with no further payment therefor. The total number of authorized shares of New Common Stock or New Preferred Stock, if any, to be distributed to Holders of Allowed Claims shall be adjusted as necessary to account for the foregoing rounding.

(j) Setoffs and Recoupment

The Debtors and the Reorganized Debtors may, but shall not be required to, setoff against any Claim (for purposes of determining the Allowed amount of such Claim on which distribution shall be made) any claims of any nature whatsoever that the Debtors or the Reorganized Debtors may have against the Holder of such Claim, but neither the failure to do so nor the allowance of any Claim hereunder shall constitute a waiver or release by the Debtors of any such claim the Debtors or the Reorganized Debtors may have against the Holder of such Claim.

(k) Distribution After Effective Date

Distributions made after the Effective Date to Holders of Disputed Claims that are not Allowed Claims as of the Effective Date but which later become Allowed Claims shall be deemed to have been made on the Effective Date.

(l) Cash Distributions

No payment of Cash of less than $100 shall be made to any holder of an Allowed Claim unless a request therefor is made in writing to the appropriate Disbursement Agent.

(m) Allocations Between Principal and Interest

In the case of distributions with respect to any Notes Claim pursuant to this Plan, the fair market value of any distribution received by the Holder of such Notes Claim will be allocable first to the principal amount of such Notes Claim (as determined for federal income tax purposes) and then, to the extent of any excess, the remainder of the Notes Claim.

(n) No Postpetition Interest on Claims

Unless otherwise specifically provided for in this Plan or the Confirmation Order, or as required by applicable bankruptcy law, postpetition interest shall not accrue on or after the Petition Date on account of any Claim.

4. ***Procedures for Disputed Claims Under the Plan***

(a) Disputed Claims/Process

On and after the Effective Date, except as otherwise provided herein, all Claims will be paid in the ordinary course of business of the Reorganized Debtors. Except insofar as a Claim is Allowed pursuant to the Plan, the Debtors may dispute Claims, and if the Debtors dispute any Claim, such dispute shall be determined, resolved or adjudicated, as the case may be, in a manner as if the Chapter 11 Cases had not been commenced and shall survive the Effective Date as if the Chapter 11 Cases had not been commenced. Notwithstanding Bankruptcy Code section 502(a), and considering the unimpaired treatment of all holders of General Unsecured Claims under this Plan, all proofs of claim filed in these Chapter 11 Cases shall be considered objected to and disputed without further action by the Debtors. Upon the Effective Date, all proofs of claim filed against the Debtors, regardless of the

time of filing, and including claims filed after the Effective Date, shall be deemed withdrawn. The deemed withdrawal of all proofs of claim is without prejudice to each claimant's rights under Section 7.1 of the Plan to assert their claims in any forum as though the Chapter 11 Cases had not been commenced.

(b) Objections to Claims

Except insofar as a Claim is Allowed under the Plan and notwithstanding Section 7.1 of the Plan, the Debtors, the Reorganized Debtors or any other party in interest shall be entitled to object to Claims, if necessary.

(c) Estimation of Claims

The Debtors and the Reorganized Debtors may at any time request that the Bankruptcy Court estimate any contingent, unliquidated, or Disputed Claim pursuant to Bankruptcy Code section 502(c), regardless of whether the Debtors previously objected to such Claim or whether the Bankruptcy Court has ruled on any such objection, and the Bankruptcy Court will retain jurisdiction to estimate any Claim at any time during litigation concerning any objection to any Claim, including, without limitation, during the pendency of any appeal relating to any such objection. In the event that the Bankruptcy Court estimates any contingent, unliquidated, or Disputed Claim, the amount so estimated shall constitute either the allowed amount of such Claim or a maximum limitation on such Claim, as determined by the Bankruptcy Court. If the estimated amount constitutes a maximum limitation on the amount of such Claim, the Reorganized Debtors may pursue supplementary proceedings to object to the allowance of such Claim. All of the aforementioned objection, estimation, and resolution procedures are intended to be cumulative and not exclusive of one another. Claims may be estimated and subsequently compromised, settled, withdrawn, or resolved by any mechanism approved by the Bankruptcy Court.

(d) No Distributions Pending Allowance

Notwithstanding any provision otherwise in the Plan: (a) no partial payments and no partial distributions shall be made with respect to a Disputed Claim until all such disputes in connection with such Disputed Claim have been resolved by settlement or Final Order and (b) any Entity that holds both an Allowed Claim and a Disputed Claim shall not receive any distribution on the Allowed Claim unless and until all objections to the Disputed Claim have been resolved by settlement or Final Order and the Claim has been Allowed.

(e) Distribution After Allowance

To the extent that a Disputed Claim ultimately becomes an Allowed Claim, distributions (if any) shall be made to the Holder of such Allowed Claim in accordance with the provisions of the Plan. As soon as practicable after the date that the order or judgment of the Bankruptcy Court allowing any Disputed Claim becomes a Final Order, the Disbursement Agent shall provide to the Holder of such Claim the distribution (if any) to which such Holder is entitled under the Plan as of the Effective Date, without any interest to be paid on account of such Claim unless required under applicable bankruptcy law.

(f) Preservation of Claims and Rights to Settle Claims

Except as otherwise provided herein, or in any contract, instrument, release, indenture, or other agreement or document entered into in connection with the Plan, in accordance with Bankruptcy

Code section 1123(b), the Reorganized Debtors shall retain and may enforce, sue on, settle or compromise (or decline to do any of the foregoing) all claims, rights, causes of action, suits and proceedings, whether in law or in equity, whether known or unknown, that the Debtors or their Estates may hold against any Person, without the approval of the Bankruptcy Court, subject to the terms of Section 7.2 of the Plan, the Confirmation Order, and any contract, instrument, release, indenture, or other agreement entered into in connection herewith. The Reorganized Debtors or their successor(s) may pursue such retained claims, rights, causes of action, suits or proceedings, as appropriate, in accordance with the best interests of the Reorganized Debtors or their successor(s) who hold such rights.

B. Treatment of Executory Contracts and Unexpired Leases

1. ***Assumption and Rejection of Contracts and Leases***

Except as otherwise provided herein, or in any contract, instrument, release, indenture, or other agreement or document entered into in connection with this Plan, as of the Effective Date, the Debtors shall be deemed to have assumed each executory contract and unexpired lease to which they are a party, unless such contract or lease (a) was previously assumed or rejected by the Debtors, (b) previously expired or terminated pursuant to its own terms, (c) is the subject of a motion to reject filed by the Debtors on or before the Confirmation Date or (d) is set forth in a schedule, as an executory contract or unexpired lease to be rejected, if any, filed by the Debtors as part of the Plan Supplement. The Confirmation Order shall constitute an order of the Bankruptcy Court under Bankruptcy Code sections 365 and 1123(b) approving the contract and lease assumptions or rejections described above, as of the Effective Date.

Each executory contract and unexpired lease that is assumed and relates to the use, ability to acquire, or occupancy of real property shall include (a) all modifications, amendments, supplements, restatements or other agreements made directly or indirectly by any agreement, instrument or other document that in any manner affects such executory contract or unexpired lease and (b) all executory contracts or unexpired leases appurtenant to the premises, including all easements, licenses, permits, rights, privileges, immunities, options, rights of first refusal, powers, uses, usufructs, reciprocal easement agreements, vaults, tunnel or bridge agreements or franchises and any other interests in real estate or rights in rem related to such premises, unless any of the foregoing agreements has been rejected pursuant to an order of the Bankruptcy Court.

2. ***Cure of Defaults***

Any monetary amounts by which any executory contract and unexpired lease to be assumed hereunder is in default shall be satisfied, under Bankruptcy Code section 365(b)(1), by the Debtors upon assumption thereof or as soon as practicable thereafter. If there is a dispute regarding (a) the nature or amount of any cure, (b) the ability of the Debtors or any assignee to provide "adequate assurance of future performance" (within the meaning of Bankruptcy Code section 365) under the contract or lease to be assumed or (c) any other matter pertaining to assumption, any cure shall occur following the entry of a Final Order resolving the dispute and approving the assumption or assumption and assignment, as the case may be.

3. ***Rejection Claims***

All Claims arising out of the rejection of executory contracts and unexpired leases must be served upon the Debtors and their counsel within thirty (30) days after the date of entry of an order of

the Bankruptcy Court approving such rejection. Any Claims not filed within such time shall be forever barred from assertion against the Debtors, their Estates, and their property.

4. ***Survival of the Debtors' Indemnification Obligations***

Any obligations of the Debtors pursuant to their certificates of incorporation and bylaws or organizational documents, as applicable, or any other agreements entered into by any Debtor at any time prior to the Effective Date, to indemnify current and former directors, officers, agents and/or employees with respect to all present and future actions, suits and proceedings against the Debtors or such directors, officers, agents and/or employees, based upon any act or omission for or on behalf of the Debtors, irrespective of whether such indemnification is owed in connection with an event occurring before or after the Petition Date, shall not be discharged or impaired by confirmation of the Plan. Such obligations shall be deemed and treated as executory contracts to be assumed by the Debtors hereunder and shall continue as obligations of the Reorganized Debtors. Any Claim based on the Debtors' obligations herein shall not be a Disputed Claim or subject to any objection in either case by reason of Bankruptcy Code section 502(e)(1)(B).

5. ***Survival of Management Agreements and Other Employment Arrangements***

Except and to the extent previously assumed by an order of the Bankruptcy Court, on or before the Confirmation Date, all Management Agreements entered into before or after the Petition Date and not since terminated shall be deemed to be, and shall be treated as if they were, executory contracts to be assumed pursuant to the Plan. In addition, except and to the extent previously assumed by an order of the Bankruptcy Court, on or before the Confirmation Date, all employee compensation and benefit plans (other than the existing incentive plans to be replaced by the Equity Incentive Plan) entered into before or after the Petition Date and not since terminated shall be deemed to be, and shall be treated as if they were, executory contracts to be assumed pursuant to the Plan. The Debtors' obligations under such plans and programs shall survive confirmation of the Plan, except for (a) executory contracts or employee benefit plans specifically rejected pursuant to the Plan (to the extent such rejection does not violate Bankruptcy Code sections 1114 and 1129(a)(13)) and (b) such executory contracts or employee benefit plans as have previously been rejected, are the subject of a motion to reject as of the Confirmation Date, or have been specifically waived by the beneficiaries of any employee benefit plan or contract.

6. ***Insurance Policies***

Except as set forth herein, all insurance policies pursuant to which the Debtors have any obligations in effect as of the date of the Confirmation Order shall be deemed and treated as executory contracts pursuant to the Plan and shall be assumed by the respective Debtors and Reorganized Debtors and shall continue in full force and effect. All other insurance policies shall re-vest in the Reorganized Debtors.

C. Conditions Precedent to the Effective Date

1. ***Conditions Precedent to Effective Date of the Plan***

The occurrence of the Effective Date of the Plan is subject to satisfaction of the following conditions precedent:

(a) Confirmation Order.

The Confirmation Order shall have been entered in form and substance reasonably acceptable to the Debtors and the Committee (which consent shall not be unreasonably withheld or delayed) and shall be in full force and effect and there shall not be a stay or injunction (or similar prohibition) in effect with respect thereto.

(b) Execution and Delivery of Other Documents.

All other actions and all agreements, instruments or other documents necessary to implement the Plan, including the New First Lien Indenture, the New Second Lien Indenture, the New Revolver Facility Credit Agreement and all other documents comprising the Plan Supplement and Plan Financing Supplement all of which shall be in form and substance reasonably acceptable to the Debtors and the Committee (which consent shall not be unreasonably withheld or delayed), shall have been (i) effected or (ii) duly and validly executed and delivered by the parties thereto and all conditions to their effectiveness shall have been satisfied or waived.

(c) Regulatory Approvals.

The Debtors shall have received all authorizations, consents, regulatory approvals, rulings, letters, no-action letters, opinions or documents necessary to implement the Plan and that are required by law, regulation, or order.

(d) Consents.

All authorizations, consents and approvals determined by the Debtors to be necessary to implement the Plan shall have been obtained.

(e) Corporate Formalities.

The Restated Certificate of Incorporation shall be filed with the Secretary of State of the State of Delaware contemporaneously with the Effective Date.

(f) Other Acts.

Any other actions the Debtors determine are necessary to implement the terms of the Plan shall have been taken.

2. ***Waiver of Conditions Precedent***

Each of the conditions precedent in Section 9.1 of the Plan may be waived, in whole or in part, by the Debtors without notice or order of the Bankruptcy Court, with the consent of the Committee (which consent shall not be unreasonably withheld or delayed).

3. ***Effect of Failure of Conditions***

If the conditions specified in Section 9.1 of the Plan have not been satisfied or waived in the manner provided in Section 9.2 of the Plan by the date that is sixty (60) days after the Confirmation Date, then: (a) the Confirmation Order shall be of no further force or effect; (b) no distributions under the Plan shall be made; (c) the Debtors and all Holders of Claims and Interests in the Debtors shall be restored to the status quo ante as of the day immediately preceding the Confirmation Date as

though the Confirmation Date had never occurred; (d) all of the Debtors' obligations with respect to the Claims and Interests shall remain unaffected by the Plan and nothing contained herein shall be deemed to constitute a waiver or release of any Claims by or against the Debtors or any other Person or to prejudice in any manner the rights of the Debtors or any Person in any further proceedings involving the Debtors; and (e) the Plan shall be deemed withdrawn.

D. Effect of Confirmation.

1. ***Vesting of Assets***

On the Effective Date, except as otherwise provided in the Plan, pursuant to Bankruptcy Code sections 1141(b) and (c), all property of the Debtors' Estates shall vest in the Reorganized Debtors free and clear of all Claims, liens, encumbrances, charges, and other interests. Except as otherwise provided in the Plan, each of the Debtors, as Reorganized Debtors, shall continue to exist on and after the Effective Date as a separate legal Entity with all of the powers available to such legal Entity under applicable law, without prejudice to any right to alter or terminate such existence (whether by merger or otherwise) in accordance with such applicable law. On and after the Effective Date, the Reorganized Debtors shall be authorized to operate their respective businesses, and to use, acquire or dispose of assets, without supervision or approval by the Bankruptcy Court and free from any restrictions of the Bankruptcy Code or the Bankruptcy Rules.

2. ***Binding Effect***

Except as otherwise provided in Bankruptcy Code section 1141(d)(3) and subject to the occurrence of the Effective Date, on and after the Confirmation Date, the provisions of the Plan shall bind any Holder of a Claim against, or Interest in, the Debtors, and such Holder's respective successors and assigns, whether or not the Claim or Interest of such Holder is impaired under the Plan and whether or not such Holder has accepted the Plan.

3. ***Discharge of the Debtors***

Except to the extent otherwise provided in the Plan, the treatment of all Claims against or Interests in the Debtors under the Plan shall be in exchange for and in complete satisfaction, discharge and release of all Claims against or Interests in the Debtors of any nature whatsoever, known or unknown, including any interest accrued or expenses incurred thereon from and after the Petition Date, or against their Estate or properties or interests in property. Except as otherwise provided in the Plan, upon the Effective Date, all Claims against and Interests in the Debtors shall be satisfied, discharged and released in full exchange for the consideration provided under the Plan. Except as otherwise provided in the Plan, all Persons shall be precluded from asserting against the Debtors, or their respective properties or interests in property, any other Claims based upon any act or omission, transaction or other activity of any kind or nature that occurred prior to the Effective Date.

4. ***Exculpation***

Notwithstanding anything provided herein, as of the Effective Date, none of the Released Parties shall have or incur any liability for any claim, cause of action, or other assertion of liability for any act taken or omitted to be taken in connection with, or arising out of, the Chapter 11 Cases, the formulation, dissemination, confirmation, Consummation, or administration of the Plan, or property to be distributed under the Plan, or any other act or omission in connection with the Chapter 11 Cases, the Plan, or any contract, instrument, indenture, or other agreement or document related thereto or

delivered thereunder; provided, however, that the foregoing shall be subject to a limited carve-out solely for gross negligence, willful misconduct, criminal acts and fraud.

5. ***Term of Injunctions or Stays***

Except as otherwise expressly provided herein, all Persons who have held, hold or may hold Claims against or Interests in any Debtor are permanently enjoined, from and after the Effective Date, from (i) commencing or continuing in any manner any action or other proceeding of any kind on any such Claim or Interest against any Reorganized Debtor, (ii) the enforcement, attachment, collection or recovery by any manner or means of any judgment, award, decree or order against any Reorganized Debtor with respect to any such Claim or Interest, (iii) creating, perfecting or enforcing any encumbrance of any kind against any Reorganized Debtor, or against the property or interests in property of any Reorganized Debtor, as applicable with respect to any such Claim or Interest, (iv) asserting any right of setoff, subrogation or recoupment of any kind against any obligation due from any Reorganized Debtor, or against the property or interests in property of any Reorganized Debtor with respect to any such Claim or Interest, and (v) pursuing any Claim released pursuant to Section 10.7 of the Plan.

Unless otherwise provided, all injunctions or stays arising under or entered during the Chapter 11 Cases under Bankruptcy Code section 105 or 362, or otherwise, and in existence on the Confirmation Date, shall remain in full force and effect until the later of the Effective Date and the date indicated in the order providing for such injunction or stay.

6. ***Injunction Against Interference with the Plan***

Upon the entry of the Confirmation Order, all Holders of Claims and Interests and other parties in interest, along with their respective present or former employees, agents, officers, directors or principals, shall be enjoined from taking any actions to interfere with the implementation or Consummation of the Plan.

7. ***Preservation of Claims***

Except as otherwise provided in the Plan, including Sections 10.6, 10.7 and 10.8, as of the Effective Date, pursuant to Bankruptcy Code section 1123(b)(3)(B), any action, cause of action, liability, obligation, right, suit, debt, sum of money, damage, judgment, claim and demand whatsoever, whether known or unknown, in law, equity or otherwise, accruing to the Debtors shall become assets of the Reorganized Debtors, and the Reorganized Debtors shall have the authority to commence and prosecute such causes of action for the benefit of the Estates of the Debtors. After the Effective Date, the Reorganized Debtors shall have the authority to compromise and settle, otherwise resolve, discontinue, abandon or dismiss all such causes of action without approval of the Bankruptcy Court.

8. ***Reservation of Rights***

The Plan shall have no force or effect unless and until the Effective Date. Prior to the Effective Date, none of the filing of the Plan, any statement or provision contained in the Plan, or action taken by the Debtors with respect to the Plan shall be, or shall be deemed to be, an admission or waiver of any rights of any Debtor or any other party with respect to any Claims or Interests or any other matter.

9. ***Plan Supplement***

A draft form of the Plan Supplement Documents to be entered into as of the Effective Date and any other appropriate documents shall be contained in the Plan Supplement and filed with the Clerk of the Bankruptcy Court five days prior to the Confirmation Hearing. Upon its filing with the Bankruptcy Court, the Plan Supplement may be inspected in the office of the Clerk of the Bankruptcy Court during normal court hours.

10. ***Plan Financing Supplement***

The Plan Financing Supplement will be filed with the Clerk of the Bankruptcy Court on the Petition Date, or as soon thereafter as is practicable. Upon its filing with the Bankruptcy Court, the Plan Financing Supplement may be inspected in the office of the Clerk of the Bankruptcy Court during normal court hours.

E. Releases.

1. ***Releases by Debtors***

Pursuant to Bankruptcy Code section 1123(b) and to the extent permitted by applicable law, for good and valuable consideration, including the service of the Released Parties to facilitate the reorganization of the Debtors and the implementation of the restructuring contemplated by the Plan, on and after the Effective Date, the Released Parties are deemed released and discharged by the Debtors, the Reorganized Debtors and the Estates and their Affiliates from any and all Claims, obligations, rights, suits, damages, causes of action, remedies and liabilities whatsoever, including any derivative claims, asserted or assertable on behalf of the Debtors, whether known or unknown, foreseen or unforeseen, existing or hereinafter arising, in law, equity or otherwise, that the Debtors, the Reorganized Debtors, the Estates or their Affiliates would have been legally entitled to assert in their own right (whether individually or collectively) or on behalf of the Holder of any Claim or Interest or other Entity, based on or relating to, or in any manner arising from, in whole or in part, the Debtors, the Chapter 11 Cases, the purchase, sale or rescission of the purchase or sale of any security of the Debtors or the Reorganized Debtors, the subject matter of, or the transactions or events giving rise to, any Claim or Interest that is treated in the Plan, the business or contractual arrangements between any Debtor and any Released Party, the restructuring of Claims and Interests before or during the Chapter 11 Cases, the negotiation, formulation or preparation of the Plan and the Disclosure Statement, or related agreements, instruments or other documents, upon any other act or omission, transaction, agreement, event or other occurrence taking place on or before the Effective Date, provided, however, such releases shall not apply to (i) any act or omission that constitutes gross negligence, willful misconduct, criminal acts or fraud and (ii) Claims that arise in the ordinary course of the Debtors' businesses and contractual obligations that are not otherwise being satisfied or discharged under the Plan (the "*Release Carve-Out*"). For the avoidance of doubt, none of the foregoing releases shall include releases of any claims, demands, causes of action and the like, in each case, solely to the extent these arise from or relate to acts or omissions occurring after the Effective Date or which arise under the Plan.

2. ***Releases by Holders of Claims***

To the extent permitted by applicable law, as of the Effective Date, each Holder of a Claim or an Interest shall be deemed to have conclusively, absolutely, unconditionally, irrevocably and forever, released and discharged the Debtors, the Reorganized Debtors, the

Estates and their Affiliates and the Released Parties from any and all Claims, Interests, obligations, rights, suits, damages, causes of action, remedies and liabilities whatsoever, including any derivative Claims asserted on behalf of a Debtor, whether known or unknown, foreseen or unforeseen, existing or hereafter arising, in law, equity or otherwise, that such Entity would have been legally entitled to assert (whether individually or collectively), based on or relating to, or in any manner arising from, in whole or in part, the Debtors, the Debtors' restructuring, the Chapter 11 Cases, the purchase, sale or rescission of the purchase or sale of any security of the Debtors or the Reorganized Debtors, the subject matter of, or the transactions or events giving rise to, any Claim or Interest that is treated in the Plan, the business or contractual arrangements between any Debtor and any Released Party, the restructuring of Claims and Interests before or during the Chapter 11 Cases, the negotiation, formulation or preparation of the Plan, the Disclosure Statement, the Plan Supplement, the Plan Financing Supplement or related agreements, instruments or other documents, upon any other act or omission, transaction, agreement, event or other occurrence taking place on or before the Effective Date, provided, however, such releases shall be subject to the Release Carve-Out. For the avoidance of doubt, none of the foregoing releases shall include releases of any claims, demands, causes of action and the like, in each case, solely to the extent these arise from or relate to acts or omissions occurring after the Effective Date or which arise under the Plan.

VII.

FINANCIAL INFORMATION, FORECAST, AND VALUATION ANALYSIS

A. Historical Financial Information

(a) General

A copy of the Debtors' annual report (the "***Annual Report***") for the fiscal year ended March 31, 2010, excluding the audited financial statements therein, is attached hereto as Exhibit "C." A copy of AMO's audited consolidated financial statements for the three-year period ended March 31, 2010 (the "***Audited Financial Statements***") is attached hereto as Exhibit "D" and supercede the audited financial statements that previously appeared in the Annual Report. The Audited Financial Statements have been prepared assuming AMO is a going concern, which contemplates the realization of assets and the liquidation of liabilities in the normal course of business. The Annual Report and the Audited Financial Statements include, among other things, data regarding the Debtors' financial performance over the last three fiscal years. A copy of the quarterly report (the "***Quarterly Report***") for the quarter ended June 30, 2010, excluding the unaudited financial statements therein, is attached hereto as Exhibit "E." A copy of AMO's unaudited financial statements for the three month period ended June 30, 2010 (the "***Quarterly Financial Statements***") is attached hereto as Exhibit "F" and supercede the unaudited financial statements that previously appeared in the Quarterly Report. The Quarterly Financial Statements have been prepared assuming AMO is a going concern, which contemplates the realization of assets and the liquidation of liabilities in the normal course of business. The Annual Report, the Audited Financial Statements, the Quarterly Report (as defined below) and the Quarterly Financial Statements (as defined below) are provided to permit Holders of Claims and Interest against the Debtors to better understand the Debtors' historical business performance and the impact of the Chapter 11 Cases on the Debtors' businesses.

(b) Selected Financial Data

See Item 6 – "Selected Financial Data" set forth in the Annual Report, a copy of which is attached hereto as Exhibit "C."

(c) Management's Discussion and Analysis of Financial Condition and Results of Operations

See (i) Item 7 – "Management's Discussion and Analysis of Financial Condition and Results of Operations" set forth in the Annual Report, a copy of which is attached hereto as Exhibit "C" and (ii) Item 2 – "Management's Discussion and Analysis of Financial Condition and Results of Operations" set forth in the Quarterly Report, a copy of which is attached hereto as Exhibit "E."

(d) Recent Financial Performance

A copy of the Debtors' Quarterly Report is attached hereto as Exhibit "E" and a copy of the Debtors' Quarterly Financial Statements is attached hereto as Exhibit "F."

B. Forecast

The Debtors' Forecast is attached hereto as Exhibit "G."

C. Reorganization Value Analysis

The Debtors' reorganization value analysis is attached hereto as Exhibit "H."

VIII.

CERTAIN RISK FACTORS TO BE CONSIDERED

HOLDERS OF ALLOWED TERM FACILITY CLAIMS, ALLOWED PIK NOTES CLAIMS, ALLOWED SUBORDINATED NOTES CLAIMS, AND ALLOWED 2011 NOTES CLAIMS SHOULD READ AND CONSIDER CAREFULLY THE FACTORS SET FORTH BELOW, AS WELL AS THE OTHER INFORMATION SET FORTH IN THIS DISCLOSURE STATEMENT (AND THE DOCUMENTS DELIVERED TOGETHER HEREWITH AND/OR INCORPORATED BY REFERENCE HEREIN), PRIOR TO VOTING TO ACCEPT OR REJECT THE PLAN. THESE RISK FACTORS SHOULD NOT, HOWEVER, BE REGARDED AS CONSTITUTING THE ONLY RISKS INVOLVED IN CONNECTION WITH THE PLAN AND ITS IMPLEMENTATION.

A. Certain Bankruptcy Considerations.

Although the Debtors believe that the Plan will satisfy all requirements necessary for confirmation by the Bankruptcy Court, there can be no assurance that the Bankruptcy Court will reach the same conclusion. Moreover, there can be no assurance that modifications of the Plan will not be required for confirmation or that such modifications would not necessitate the re-solicitation of votes. Although the Debtors believe that the Effective Date will occur soon after the Confirmation Date, there can be no assurance as to such timing. In the event the conditions precedent described in Section 9 of the Plan have not been satisfied, or waived (to the extent possible) by the Debtors or, if applicable, the Committee (whose consent shall not be unreasonably withheld) as of the Effective Date, then the Confirmation Order will be vacated, no distributions under the Plan will be made, and the Debtors and all holders of Claims and Interests will be restored to the status quo ante as of the day immediately preceding the Confirmation Date as though the Confirmation Date had never occurred.

The Plan provides for no distribution to Class 10. The Bankruptcy Code conclusively deems this Class to have rejected the Plan. Notwithstanding the fact that this Class is deemed to have rejected the Plan, the Bankruptcy Court may confirm the Plan if at least one impaired Class votes to accept the Plan (with such acceptance being determined without including the vote of any "insider" in such Class). Thus, for the Plan to be confirmed with respect to each Debtor, one impaired Class, among Classes 2, 5, 6 and 7 must vote to accept the Plan. As to each impaired Class that has not accepted the Plan, the Plan may be confirmed if the Bankruptcy Court determines that the Plan "does not discriminate unfairly" and is "fair and equitable" with respect to these Classes. The Debtors believe that the Plan satisfies these requirements. For more information, see Section X below. The confirmation of the Plan is subject to a number of material risks, including, but not limited to, those specified below.

1. ***Parties in Interest May Object to the Debtors' Classification of Claims.***

Bankruptcy Code section 1122 provides that a chapter 11 plan of reorganization may place a claim or equity interest in a particular class only if such claim or equity interest is substantially similar to the other claims or equity interests in such class. The Debtors believe that the classification of Claims and Interests under the Plan complies with the requirements set forth in the Bankruptcy Code. After the Petition Date, however, a claim or interest holder could challenge the classification. In such event, the cost of the Plan and the time needed to confirm the Plan could increase and the Bankruptcy Court may not agree with the Debtors' classification of Claims and Interests, as applicable. If the Bankruptcy Court concludes that the classification of Claims and Interests under the Plan does not comply with the requirements of the Bankruptcy Code, the Debtors

may need to modify their Plan. Such modification could require a resolicitation of votes on the Plan. If the Bankruptcy Court determines that the Debtors' classification of Claims and Interests was not appropriate or if the Bankruptcy Court determines that the different treatment provided to Claim or Interest holders was unfair or inappropriate, the Plan may not be confirmed. If this occurs, the amended plan of reorganization that would ultimately be confirmed may be less attractive to certain classes of the Debtors' Claim and Interest holders than the Plan.

2. ***In Certain Instances, Any Chapter 11 Case May be Converted to a Case under Chapter 7 of the Bankruptcy Code.***

If no plan can be confirmed, or if the Bankruptcy Court otherwise finds that it would be in the best interest of creditors, any of the Debtors' Chapter 11 Cases may be converted to a case under chapter 7 of the Bankruptcy Code, pursuant to which a trustee would be appointed or elected to liquidate assets for distribution in accordance with the priorities established by the Bankruptcy Code. The Debtors believe that liquidation under chapter 7 would result in no distributions being made to equity security holders and smaller distributions being made to the Debtors' creditors than those provided for in the Plan because of: (i) the likelihood that the assets would have to be sold or otherwise disposed of in a disorderly fashion over a short period of time rather than reorganizing the Debtors' business as a going concern; (ii) additional administrative expenses involved in the appointment of a trustee; and (iii) additional expenses and claims, some of which would be entitled to priority, which would be generated during the liquidation and from the rejection of leases and other executory contracts in connection with a cessation of the operations.

3. ***The Bankruptcy Court May Not Confirm the Plan.***

Although the Debtors believe that their Plan will satisfy all requirements necessary for confirmation under the Bankruptcy Code, there can be no assurance that the Bankruptcy Court will reach the same conclusion. Moreover, there can be no assurance that modifications of the Plan will not be required for confirmation or that such modifications would not necessitate the resolicitation of votes. In the event that the Bankruptcy Court refuses to confirm the Plan, the Debtors may be required to seek an alternative restructuring of their obligations to their creditors and equity holders. There can be no assurance that the terms of any such alternative restructuring would be similar to or as favorable to the Companies' creditors and shareholders as those proposed in the Plan.

The confirmation of the Plan is subject to certain conditions and requirements of the Bankruptcy Code. If the Plan is filed, the Bankruptcy Court may determine that one or more of those requirements is not satisfied.

For example, the Bankruptcy Court might determine that the Plan is not "feasible" pursuant to Bankruptcy Code section 1129(a)(11). For the Plan to be feasible, the Debtors must establish that the confirmation of their Plan is not likely to be followed by the liquidation, or the need for further financial reorganization, of the Debtors or any successor of the Debtors under the Plan unless such liquidation or reorganization is proposed in the Plan. While the feasibility requirement is not rigorous, it does require the Debtors to put forth concrete evidence indicating that they have a reasonable likelihood of meeting their obligations under the Plan and remaining a commercially viable entity. The Debtors believe that their forecasts demonstrate that the Plan is feasible in that they will be able to satisfy all of their obligations under the Plan and confirmation of the Plan is not likely to be followed by a liquidation or the need for a further financial reorganization. An objecting creditor may argue, and the Bankruptcy Court may find, however, that the Plan is not feasible.

In most instances, a plan of reorganization is filed and votes to accept or reject the plan are solicited after the filing of a petition commencing a chapter 11 case. Where a debtor proposes a prepackaged plan as the Debtors are here, the Debtors may solicit votes prior to the Petition Date in accordance with Bankruptcy Code section 1126(b) and Bankruptcy Rule 3018(b). The Bankruptcy Court could conclude, however, that this Disclosure Statement does not meet the disclosure requirements set forth therein.

With regard to the solicitation of votes prior to the Petition Date, if the Bankruptcy Court concludes that the requirements of Bankruptcy Code section 1126(b) and/or Bankruptcy Rule 3018(b) have not been met, then the Bankruptcy Court could deem such votes invalid, and the Plan would not be confirmed without a resolicitation of votes to accept or reject the Plan. While the Debtors believe that the requirements of Bankruptcy Code section 1126(b) and Bankruptcy Rule 3018 will be met, the Bankruptcy Court may not reach the same conclusion. The United States Trustee or other parties in interest could move the Bankruptcy Court to "designate" the votes of the holders of Claims that are signatories to the Restructuring Support Agreement pursuant to Bankruptcy Code section 1126(e), which permits a bankruptcy court to designate – and nullify for purposes of determining acceptances and rejections of the subject plan – an entity whose acceptance or rejection of a plan was not in good faith or was not solicited or procured in good faith or in accordance with the provisions of the Bankruptcy Code. In addition, the United States Trustee or other parties in interest could move the Bankruptcy Court to "designate" the votes of any holder of Claims otherwise, pursuant to Bankruptcy Code section 1126(e), which, if successful, could render any accepting votes invalid.

If the Bankruptcy Court were to find any of these deficiencies, the Debtors could be required to restart the process of filing another plan and disclosure statement by (i) seeking Bankruptcy Court approval of a disclosure statement, (ii) soliciting votes from classes of debt and equity holders, and (iii) seeking Bankruptcy Court confirmation of the newly proposed plan of reorganization. A resolicitation of acceptances of the Plan likely could not take place within a sufficiently short period of time to prevent the release of the signatories to the Restructuring Agreement from their obligations to support the Plan. If this occurs, confirmation of the Plan would be delayed and possibly jeopardized. Additionally, as discussed below in greater detail, should the Plan fail to be approved, confirmed, or consummated, parties with an interest against the Debtors may be in a position to propose alternative plans of reorganization. Therefore, any failure to confirm the Plan would likely entail significantly greater risk of delay, expense and uncertainty, which would likely have a material adverse effect upon the Debtors' business and financial condition.

4. ***The Debtors May Fail to Meet All Conditions Precedent to Effectiveness of the Plan.***

Although the Debtors believe that the Effective Date may occur very shortly after the Confirmation Date, there can be no assurance as to such timing. Moreover, if the conditions precedent to the Effective Date have not occurred, the Plan may be vacated by the Bankruptcy Court.

5. ***The Debtors May Be Unsuccessful in Obtaining First Day Orders to Authorize Payment to Key Creditors in the Ordinary Course of Business.***

There can be no guaranty that the Debtors will be successful in obtaining the necessary approvals of the Bankruptcy Court to authorize payment of accounts payable to key creditors in the ordinary course of business. As a result, the Debtors may be unable to make certain prepetition payments to customers, vendors, employees and other key creditors, in which case the businesses may suffer.

6. ***The Debtors Cannot Predict the Amount of Time Needed in Bankruptcy to Implement the Plan, and a Lengthy Bankruptcy Case Could Disrupt the Business, as well as Impair the Prospect for Reorganization on the Terms Contained in the Plan and Possibly Provide an Opportunity for Other Plans to be Proposed.***

The Debtors cannot be certain their Chapter 11 Cases will be of relatively short duration (*e.g.*, 30 to 90 days) and will not unduly disrupt their business. It is impossible to predict with certainty the amount of time needed in bankruptcy, and the Debtors cannot be certain that their Plan will be confirmed. Moreover, time limitations exist for which the Debtors have an exclusive right to file a plan before other proponents can propose and file their own plan.

A lengthy chapter 11 case would also involve additional expenses and divert the attention of management from operation of the businesses, as well as create concerns for employees, vendors and customers. The disruption that a chapter 11 case would inflict upon the business would increase with the length of time it takes to complete the proceeding and the severity of that disruption would depend upon the attractiveness and feasibility of the Plan from the perspective of the constituent parties, including essential vendors, employees, and customers.

The Debtors are also obligated to meet certain milestones under the Restructuring Support Agreement. If the Debtors do not meet such milestones, the other parties thereto will not be obligated to comply with the terms of the Restructuring Support Agreement. This would potentially lead to lengthy Chapter 11 Cases and the inability to confirm the Plan.

If the Debtors are unable to obtain confirmation of their Plan on a timely basis, because of a challenge to a Plan or a failure to satisfy the conditions to the effectiveness of the Plan, the Debtors may be forced to operate in bankruptcy for an extended period while trying to develop a different reorganization plan that can be confirmed. A protracted bankruptcy case would increase both the probability and the magnitude of the adverse effects described above.

7. ***The Debtors' actual financial results may vary significantly from the Forecast filed with the Bankruptcy Court.***

This Disclosure Statement, which the Debtors are required to prepare in connection with the Plan, contains forecasted financial information and estimates of value that demonstrate the feasibility of the Plan and the Debtors' ability to continue operations upon their emergence from proceedings under the Bankruptcy Code. The information in the Disclosure Statement was prepared for the limited purpose of furnishing recipients of the Disclosure Statement with adequate information to make an informed judgment regarding acceptance of the Plan and was not prepared for the purpose of providing the basis for an investment decision relating to the New Common Stock or the New Preferred Stock, to the extent applicable. The forecasts and estimates of value, as well as the other information in the Disclosure Statement, have not been, and will not be, updated on an ongoing basis, and they were not audited or reviewed by independent accountants. They reflect numerous assumptions concerning the Debtors' anticipated future performance and with respect to prevailing and anticipated market and economic conditions that were, and remain, beyond the Debtors' control. Forecasts and estimates of value are inherently subject to substantial and numerous uncertainties and to a wide variety of significant business, economic and competitive risks, and the assumptions underlying the forecasts and/or valuation estimates may be wrong in any material respect. Actual results may vary and may continue to vary significantly from those contemplated by the forecasts and/or valuation estimates.

8. ***The Debtors cannot be assured that the Bankruptcy Court will approve of the Debtors' First and Second Lien Financing Raises, or that such approval will be obtained in a timely manner.***

The Debtors' Plan is premised upon the raise of approximately $385 million in New First Lien Financing and approximately $140 million in New Second Lien Financing, as well as approximately $40 million in commitments for a New Revolving Credit Facility. On the first day of the Chapter 11 Cases, the Debtors will be seeking approval from the Bankruptcy Court that the Debtors can close both the First Lien and Second Lien Financing into escrow within a short time after the petition date, and that such closing can occur at certain non-Debtor entities whose assets will be deemed not to be property of the estate, and whose assets will be not be consolidated with the Debtors' assets. Further, the Debtors will be concurrently seeking approval to transfer approximately $15 million to such non-debtor entities to pay for fees and interest associated with the New First and New Second Lien Financing, and the Debtors will be seeking an order deeming such amounts not to be property of the estate. The Debtors believe that there is ample authority for consummating the financing transaction in this way, but can make no assurance that the Bankruptcy Court will issue the orders which the Debtors request. Further, to the extent the Bankruptcy Court issues the order, but fails to do so in a timely manner, such failure could result in a failure to close the First and Second Lien Financing, or a failure to close such financing on terms that are favorable to the Debtors.

9. ***The Plan may not be consummated due to the failure of the Backstop Parties to comply with their obligations under the Backstop Commitment Letter.***

The Plan contemplates the right of the Term Facility Lenders to require that the Backstop Parties purchase the New Second Lien Notes distributed to the First Lien Lenders for cash. In that regard, the Backstop Parties have executed a Backstop Agreement pursuant to which they have agreed to fund their backstop commitment. The obligations of the Backstop Parties under the Backstop Commitment are several and not joint. The Debtors can make no assurances that each Backstop Party will perform its obligations under the Backstop Agreement. To the extent one of the Backstop Parties fails to fund its obligations under the Backstop Agreement, the Debtors can make no assurances that they will be able to locate financing to replace such funding. The failure of such funding could result in the Debtors' inability to consummate the Plan.

10. ***Consummation of the Plan may affect the Debtors' liability for U.S. federal income taxes currently or in the future.***

The Debtors currently estimate that they have U.S. federal income tax net operating loss carryforwards of approximately $40.0 million, and they forecast an additional $35 million of net operating loss carryforwards in the current fiscal year. Subject to certain limitations, net operating loss carryforwards may be used to offset future taxable income and thereby reduce U.S. federal income taxes otherwise payable. For U.S. federal income tax purposes, a corporation that undergoes an "ownership change" is limited in its ability to utilize its net operating loss carryforwards in existence at the time of such change to offset taxable income arising after such ownership change. Generally, an ownership change occurs if there is an increase of more than 50 percentage points in the ownership of a corporation's issued and outstanding stock (based on value) by one or more "5-percent shareholders" during the applicable testing period which is usually the three-year period ending on the date on which a transaction is tested for an ownership change. Following an ownership change, the loss limitation for any post-change year is an amount equal to the value of the loss corporation immediately prior to the change multiplied by the long-term tax-exempt rate in effect at the time of such change. Currently, none of the Debtors' net operating loss carryforwards is limited by these rules. The Debtors may experience an ownership change as a result of the Plan. Whether or not the

Plan results in an ownership change, it is possible that the Debtors will undergo an ownership change in the future. As a result, the Debtors' ability to use that portion of their net operating losses and other tax attributes attributable to periods prior to any such ownership change to offset taxable income in taxable periods after such an ownership change may be limited as described above. In addition, any net operating losses and other tax attributes that are currently limited may be limited further.

The Debtors believe that, based on the terms of the Plan, they will not recognize any substantial amounts of income for U.S. federal income tax purposes from the retirement of the Subordinated Notes, the 2011 Notes and the PIK Notes. However, the Debtors are likely to utilize some or all of their net operating losses and may also be required to reduce other tax attributes, such as their tax basis in certain assets, as a result of the Plan. This view is based on an analysis of the history of the Subordinated Notes and the 2011 Notes (including the Prior Restructuring); there can be no assurance that the U.S. Internal Revenue Service (the "***IRS***") will not challenge this result or, if challenged, that a court will uphold such result.

B. Risks to Recovery By Holders of Allowed Term Facility Claims, Allowed PIK Notes Claims, Allowed Subordinated Notes Claims and Allowed 2011 Notes Claims.

The ultimate recoveries under the Plan to Holders of Allowed Term Facility Claims, Allowed PIK Notes Claims, Allowed Subordinated Notes Claims and Allowed 2011 Notes Claims depend upon several factors. To the extent the actual value of the New Common Stock, the New Preferred Stock (to the extent applicable), the New PIK Notes (to the extent applicable), the New First Lien Financing, the New Revolver Facility and the New Second Lien Financing varies from the amounts estimated, the recoveries of Holders of Allowed Term Facility Claims, Allowed PIK Notes Claims, Allowed Subordinated Notes Claims and Allowed 2011 Notes Claims may be higher or lower. New Common Stock, the New First Lien Financing, the New Revolver Facility and the New Second Lien Financing to be issued pursuant to the Plan are subject to a number of material risks, including, but not limited to, those specified below.

1. ***Variances from Forecasts.***

The forecasts for the Reorganized Debtors included herein are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Factors that could cause actual results to differ materially include, but are not limited to, the Reorganized Debtors' ability to operate their business consistent with the forecasts, comply with the covenants of their financing agreements, attract and retain key executives, account representatives and customers, comply with the terms of their existing contracts and leases, and respond to adverse regulatory actions taken by the federal and state governments. In addition, unanticipated events and circumstances occurring subsequent to the preparation of the forecasts may affect the actual financial results of the Reorganized Debtors. Although the Debtors believe that the forecasts are reasonably attainable, variations between the actual financial results and those forecasted will occur and these variances may be material.

2. ***Holders of Subordinated Notes Claims and Management's Ownership of the Reorganized Debtors.***

Under the Plan, the (i) Holders of Allowed Subordinated Notes Claims, (ii) Holders of Allowed 2011 Notes Claims, (iii) certain employees receiving distributions under the Employee Incentive Plan, (iv) the Backstop Parties and possibly (v) Holders of Allowed PIK Notes Claims will own, as of the Effective Date, all of the outstanding shares of the New Common Stock and New Preferred Stock, if any.

On the Effective Date, all entities receiving a distribution of New Common Stock under the Plan will be deemed parties to a stockholders agreement (the "***Stockholders Agreement***). The Stockholders Agreement generally will provide for, among other things, (i) certain transfer restrictions and buy-sell arrangements and (ii) certain arrangements between Avenue, Angelo Gordon and Capital Research (collectively, the "***Stockholders***") regarding the election of their designees to the board of directors of the Reorganized Debtors. In light of their ownership, in the aggregate, of more than a majority of the New Common Stock as of the Effective Date, the Stockholders will have considerable influence over the management and operation of Reorganized Debtors.

3. ***Unforeseen Events.***

Future performance of the Reorganized Debtors is, to a certain extent, subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond their control. While no assurance can be provided, based upon the current level of operations and anticipated increases in revenues and cash flows described in the Forecast, the Debtors believe that cash flow from operations and available Cash will be adequate to fund the Plan and meet their future liquidity needs.

C. Risks Associated with the Debtors' Business and the Industry

1. ***The Debtors' substantial debt could impair their ability to operate and expose them to certain risks.***

The Debtors' future performance could be affected by their substantial amount of debt. As of June 30, 2010, the Debtors total principal amount of outstanding debt was approximately $878.7 million, consisting of approximately $490.6 million principal amount of debt under the 2009 Credit Agreement, $7.5 million remaining principal amount of 2011 Notes, approximately $24.8 million principal amount of PIK Notes and approximately $355.8 million principal amount of Subordinated Notes.

Following the consummation of the Plan, the Debtors' total principal amount of outstanding debt is expected to be approximately $525 million, consisting of approximately $385 million principal amount of New First Lien Financing and approximately $140 million principal amount of New Second Lien Financing.

In addition, subject to certain exceptions, the covenants in the 2009 Credit Agreement restrict us from paying dividends in cash, securities or other property, incurring additional debt, entering into certain mergers or consolidations, making acquisitions, investments or capital expenditures and selling or otherwise disposing of assets. It is anticipated that the proposed new financing will contain similar covenants.

Although the consummation of the Plan would reduce the Debtors' debt level and improve their capital structure and operating flexibility, the Debtors' remaining level of debt could have important consequences for their business and operations, including the following:

(a) the Debtors' debt level requires that a substantial portion of their cash flow from operations be used for the payment of interest on debt, reducing their ability to use their cash flow to fund working capital, capital expenditures and general corporate requirements and to pay dividends on their outstanding shares of New Common Stock and New Preferred Stock, to the extent applicable;

(b) the Debtors may have a much higher level of debt than certain of their competitors, which may put them at a competitive disadvantage;

(c) the Debtors' debt level makes them more vulnerable to economic downturns and adverse developments in their business;

(d) the Debtors' debt level reduces their flexibility in responding to changing business and economic conditions, including increased competition in the publishing industry; and

(e) the Debtors' debt level limits their ability to pursue other business opportunities, borrow more money for operations or capital in the future and implement their business strategy.

Under the 2009 Credit Agreement, the Debtors also must comply with certain specified financial ratios and tests. The New Revolver Facility is expected to contain a financial ratio and test. The Debtors' ability to satisfy such ratio and test is dependent on their business performing in accordance with their forecasts. If the performance of their business deviates from their forecasts, the Debtors may not be able to satisfy such ratio and test. If the Debtors do not comply with these or other covenants and restrictions under the New Revolver Facility, the New First Lien Financing and the New Second Lien Financing, the Debtors could default under such facilities. The Debtors' ability to comply with such provisions may be affected by events beyond their control. The Debtors' outstanding debt under such facilities, together with accrued interest, could then be declared immediately due and payable. Moreover, the proposed Plan Financing Documents are expected to contain, cross-acceleration provisions so that an acceleration under any of their debt may result in a default under their other debt instruments. If a cross-acceleration occurs, the maturity of almost all of the Debtors' debt could be accelerated and become immediately due and payable. If that happens, the Debtors would not be able to satisfy their debt obligations, which would have a substantial adverse effect on their ability to continue as a going concern.

2. ***Future acquisitions, partnerships, publishing services agreements and joint ventures may require significant resources and/or result in significant unanticipated losses, costs or liabilities.***

In the future, the Debtors may seek to grow their businesses by making acquisitions or entering into partnerships, publishing services agreements or joint ventures, including pursuing opportunities with their affiliates or companies controlled by their affiliates. Any future acquisition, partnership, publishing service agreement or joint venture may require that the Debtors make a significant cash investment, issue stock or incur substantial debt. In addition, acquisitions, partnerships, publishing services agreements or joint ventures may require significant managerial attention, which may be diverted from the Debtors' other operations. These capital, equity and managerial commitments may impair the operation of their businesses. Furthermore, any future acquisitions of businesses or facilities could entail a number of additional risks, including:

(a) problems with effective integration of operations;

(b) the inability to maintain key pre-acquisition business relationships;

(c) increased operating costs;

(d) exposure to unanticipated liabilities; and

(e) difficulties in realizing forecasted efficiencies, synergies and cost savings.

The Debtors have incurred indebtedness to finance past acquisitions. The Debtors may finance future acquisitions with additional indebtedness, subject to limits in our debt agreements. As a result, the Debtors could face the financial risks associated with incurring additional indebtedness such as reducing our liquidity and access to financing markets and increasing the amount of cash flow required to service such indebtedness.

3. ***The Debtors' performance could be adversely affected if they lose their key personnel.***

The Debtors believe that their success is largely dependent on the abilities and experience of their senior management team. The loss of the services of one or more of these senior executives could adversely affect the Debtors' ability to effectively manage their overall operations or successfully execute current or future business strategies. The Debtors do not maintain key man life insurance on the lives of their senior management. The Debtors have entered into employment contracts with their senior management team, all of which contain non-compete provisions. While the Debtors believe that they could find replacements for these key personnel, the loss of their services could have a significant adverse effect on the Debtors' operations.

4. ***If the Debtors fail to implement their strategy, their businesses will be adversely affected.***

The Debtors' future financial performance and success are dependent in large part upon their ability to successfully implement their business strategy. The Debtors cannot assure you that they will be able to successfully implement their business strategy or be able to improve their operating results. In particular, the Debtors cannot assure you that they will be able to increase circulation of their publications, obtain new sources of advertising revenues, generate additional revenues by building on the brand names of their publications, attract new clients for DSI or raise the cover prices of their publications without causing a decline in circulation. Furthermore, any growth through acquisitions and investments will be dependent upon identifying suitable acquisition or investment candidates and successfully consummating such transactions and integrating the acquired operations at reasonable costs. The Debtors may not successfully integrate any acquired businesses or publishing services client and may not be able to achieve anticipated revenue and cost benefits.

Such acquisitions and investments may require additional funding which may be provided in the form of additional debt, equity financing or a combination thereof. The Debtors cannot assure you that any such additional financing will be available to them on acceptable terms or at all or the proposed new financing (or any replacement thereof).

Any failure to successfully implement their business strategy may adversely affect the Debtors' ability to service their indebtedness, including their ability to make principal and interest payments on the debt. The Debtors may, in addition, decide to alter or discontinue certain aspects of their business strategy at any time.

5. ***The Debtors' businesses and results of operations are affected by and dependent upon discretionary consumer spending patterns.***

The Debtors' businesses are sensitive to a number of factors that influence the level of discretionary consumer spending, including political and economic conditions, such as recessionary and inflationary environments. Notably, recent increases in the retail price of gasoline and the

potential for further increases in gasoline and other energy costs, increases in credit card, home mortgage, and other borrowing costs, and declines in housing values could lead to declines in overall consumer confidence and discretionary spending. A decline in discretionary consumer spending on publications, particularly those sold at retailers' checkout counters and those targeting certain demographics particularly affected by challenging economic conditions, could have a material adverse effect on the Debtors' businesses, operating results and profitability.

6. ***General economic trends, as well as trends in advertising spending and competition, along with declines in single copy circulation, may reduce the Debtors' advertising and circulation revenues which represent the vast majority of their revenues.***

The Debtors' advertising and circulation revenues, which accounted for 92% of their total operating revenues in fiscal year 2010, are subject to the risks arising from adverse changes in domestic and global market conditions (i.e., recessionary environments or increases in gas prices and interest rates) and possible shifting of advertising spending from print to Internet or other media or decreases in advertising budgets. Extraordinary weather conditions, such as hurricanes (i.e., Hurricane Katrina in fiscal year 2006), can impact newsstand sales, advertising revenues and other revenues like distribution. Any adverse impact of economic conditions on the Debtors' business may result in reductions in advertising and circulation revenue.

The Debtors' circulation revenues are subject to the risks arising from their ability to institute price increases for their print products and are affected by competition from other publications and other forms of media available in their various markets, changing consumer lifestyles resulting in decreasing amounts of free time, declining frequency of regular magazine buying among young people, and increasing costs of circulation acquisition.

The Debtors believe that the principal factors contributing to the declines in their single copy circulation include: (i) the current economic slowdown; (ii) increased competition from other publications and forms of media, such as certain newspapers, television and radio programs and Internet sites concentrating on celebrity news; (iii) a general industry-wide decline in single copy circulation of individual publications due to an increasing number of publications in the industry; and (iv) diminished service levels from wholesalers who distribute our magazines to retailers and fill the pockets at checkout counters as a result of consolidation among wholesalers and their related efforts to cut expenses.

Historically, the Debtors have been able to offset some of the declines in single copy circulation, in part, through increases in cover prices and cost reductions. The Debtors cannot assure you that they will be able to increase cover prices without decreasing circulation, or be able to take other measures, such as increasing advertising revenue rates or pages, and decrease promotion expenses of their titles to offset such circulation declines, or that the single copy circulation declines described above will be reversed. Continued declines in circulation could have a material adverse effect on their business and financial performance and condition.

7. ***The Debtors operate in a very competitive business environment.***

Star, *National Enquirer*, *Globe*, *National Examiner*, *Sun*, *Mira!* and *Country Weekly* compete in varying degrees with other publications sold at retailers' checkout counters, as well as forms of media concentrating on celebrity news, such as certain tabloids, magazines and television and radio programs. The Debtors believe that historical declines in single copy circulation of *National Enquirer*, *Globe* and *National Examiner* have resulted in part from increased competition from these

publications and forms of media. Competition for circulation is largely based upon the content of the publication, its placement in retail outlets and its price. Competition for advertising revenues is largely based upon circulation levels, readership, demographics, price, and advertising results. Certain of the Debtors' competitors have substantially larger operating staffs, greater capital resources and greater revenues from their publications. In this respect, the Debtors may be at a competitive disadvantage with such entities. The Debtors believe that currently their most significant direct competitors in the print media are Time Warner Inc. (which publishes *People*, *People's Country*, *In Style* and *Entertainment Weekly*), Wenner Media, Inc. (which publishes *US Weekly* and *Men's Journal*), Rodale Inc. (which publishes *Men's Health* and *Woman's Health*), Bauer Publishing (which publishes *In Touch and Life & Style*), Condé Nast Publications, Inc. (which publishes *Self*) and Northern & Shell North America Ltd. (which publishes *OK!*). As use of the Internet and new on-line ventures focusing on celebrity news has increased, the Debtors have faced additional competition.

In addition, the Debtors compete with many other companies providing marketing and distribution services, such as full-service national distributors, wholesalers and publishers with their own marketing organizations. Certain of the Debtors' competitors have substantially larger operating staffs and greater capital resources. In this respect, the Debtors may be at a competitive disadvantage with such entities.

Increased competition may result in less demand for our products and services which may have a material adverse effect on our business, results of operations and financial condition.

8. ***The Debtors' businesses and results of operations may be adversely affected by increases in fuel costs and increases in the price of paper or postage.***

Many aspects of the Debtors' businesses have been directly affected by increases in the cost of fuel. Increased fuel costs have translated into increased costs for the products and services the Debtors receive from their third-party suppliers including, but not limited to, increased production and distribution costs for their products. In particular, paper and postage represent significant components of the Debtors' total cost to produce and distribute their printed products. Paper is a commodity and its price has been subject to significant volatility. Furthermore, because the United States Postal Service and Canada Post Corporation distribute substantially all of the Debtors' subscription publications and many of their marketing materials, increases in the cost of postage to mail their subscription publications may have an adverse effect on their business. The Debtors cannot predict with certainty the magnitude of future price changes in paper and postage or how increases in fuel costs will affect the Debtors' third-party suppliers and the rates they charge. If fuel, paper or postage prices increase, and the Debtors cannot pass these costs on to their customers, such increases may have a material adverse effect on their businesses, results of operations and financial condition.

9. ***The Debtors' businesses may be adversely affected if they lose one or more of their vendors.***

A loss of one or more of the Debtors' vendors related to production or circulation or a disruption in one of those vendors' businesses or a failure by one of them to meet their production or circulation needs on a timely basis could cause temporary shortages in needed materials or services which could have a negative effect on their businesses and results of operations.

10. ***Terrorist attacks and other acts of violence or war may affect the financial markets and the Debtors' businesses, results of operations and financial condition.***

Terrorist attacks may negatively affect the Debtors' operations and financial condition. There can be no assurance that there will not be further terrorist attacks against the United States or U.S. businesses. These attacks or armed conflicts may directly impact the Debtors' physical facilities or those of their retailers and customers. These events could cause consumer confidence and spending to decrease or result in increased volatility in the U.S. and world financial markets and economy. They could result in an economic recession in the United States or abroad. Any of these occurrences could have a material adverse impact on the Debtors' businesses, results of operations and financial condition.

11. ***Pending and future litigation or regulatory proceedings could materially affect the Debtors' operations.***

Because the focus of some of the Debtors' publications often involves celebrities or controversial subjects and because of the Debtors' news gathering techniques, the risk of defamation or invasion of privacy litigation or the filing of criminal charges exists. While the Debtors have not historically experienced any difficulty obtaining insurance coverage, the Debtors cannot assure you that they will be able to do so in the future at rates acceptable to them or at all. There are currently no such claims pending that the Debtors believe would have a material adverse effect on their operations. The Debtors cannot assure you that any pending or future litigation, if adversely determined, would not have a material adverse effect on our business, results of operations and financial condition.

In addition, on March 10, 2009, Anderson News, L.L.C. and Anderson Services, L.L.C., magazine wholesalers, (collectively, "***Anderson***") filed a lawsuit against AMI, DSI and various magazine publishers, wholesalers and distributors in the Federal District Court (the "***District Court***") for the Southern District of New York (the "***Anderson Action***"). The complaint alleges that the defendants violated Section 1 of the Sherman Antitrust Act by engaging in a purported industry-wide conspiracy to boycott Anderson and drive it out of business. Plaintiffs also purport to assert claims for defamation, tortious interference with contract, and civil conspiracy. The complaint does not specify the amount of damages sought. On August 2, 2010, the District Court dismissed the complaint in its entirety with prejudice and without leave to replead. While it is not possible to predict with certainty the final outcome of an appeal, if any, of the Anderson Action or to estimate the impact of such appeal on the Debtors, the Debtors intend to continue to vigorously defend the case. An adverse determination in this action could have an adverse effect on the Debtors' business.

12. ***If the Debtors' goodwill or other identifiable intangible assets become impaired, the Debtors may be required to record a significant charge to earnings.***

As of June 30, 2010, the net book value of the Debtors' goodwill and other intangible assets was approximately $501.9 million. Accounting rules require the Debtors to record a charge against their earnings to the extent that any of these assets are impaired, including a change that may occur as a result of any bankruptcy filing the Debtors may make. Accordingly, impairment of the Debtors' goodwill, tradenames, covenants not to compete, subscriber lists, advertising relationships, non-subscriber customer relationships or the impairment of other intangible assets due to litigation, obsolescence, competitive factors, bankruptcy or other reasons could result in a material charge against the Debtors' earnings and have a material adverse effect on their results of operations.

13. ***Some provisions of Delaware law and AMI's amended and restated certificate of incorporation may deter third parties from acquiring AMI.***

Provisions contained in AMI's amended and restated certificate of and the laws of Delaware, the state in which AMI is incorporated, could make it more difficult for a third-party to acquire AMI, even if doing so might be beneficial to AMI's stockholders. Provisions of AMI's amended and restated certificate of incorporation impose various procedural and other requirements, which could make it more difficult for stockholders to affect certain corporate actions. These anti-takeover defenses could discourage, delay or prevent a transaction involving a change in control. These provisions could also discourage proxy contests and make it more difficult for stockholders to elect directors of their choosing and cause AMI to take other corporate actions that AMI's stockholders desire.

14. ***Because of the concentration of ownership among a few stockholders, such stockholders will be able to exercise control over significant transactions involving AMI, including a change in control transaction, and the interests of such stockholders may differ from those of Reorganized AMI's other stockholders.***

As of October 22, 2010, affiliates of Capital Research, Angelo Gordon, Avenue and Credit Suisse collectively own approximately 70% of the outstanding AMI Common Stock. Certain of these stockholders also own approximately 78% of the outstanding aggregate principal amount of Subordinated Notes. The Financial Restructuring would further concentrate the ownership among these large holders. In the event that the Plan is consummated, affiliates of Capital Research, Angelo Gordon, Avenue and Credit Suisse would collectively own approximately 79% of the outstanding New Common Stock. As a result, such stockholders will be able to exercise control over significant transactions involving Reorganized AMI, including a change in control transaction, even after the consummation of the Plan. Further, the interests of such stockholders (who in most cases also hold PIK Notes) may differ from those of AMI's other stockholders. For example, in the event that the Plan is consummated, the PIK Notes may be exchanged into New Second Lien Notes, which will be on terms that are more favorable to holders thereof than the existing PIK Notes.

15. ***The Debtors may not be able to maintain an effective system of internal control over financial reporting and disclosure controls.***

Effective internal control over financial reporting and disclosure controls are necessary for the Debtors to provide reliable financial reports, effectively prevent fraud and operate successfully. If the Debtors cannot provide reliable financial reports or prevent fraud, their operating results and reputation would be harmed. As part of their ongoing monitoring, the Debtors may discover material weaknesses or significant deficiencies in our internal control over financial reporting that require remediation.

The Debtors cannot assure you that internal control over financial reporting or disclosure control deficiencies might not be identified in the future. Any failure to maintain effective controls or timely effect any necessary improvement of their internal control over financial reporting and disclosure controls could, among other things, result in losses from fraud or error, cause the Debtors to not satisfy our reporting obligations, cause investors to lose confidence in the Debtors' reported financial information or harm our reputation, all of which could have a material adverse effect on the Debtors' results of operations and financial condition.

16. ***The Debtors may suffer credit losses that could adversely affect their results of operation.***

The Debtors extend unsecured credit to most of their customers. The Debtors recognize that extending credit and setting appropriate reserves for receivables is largely a subjective decision based on knowledge of the customer and the industry. Credit exposure also includes the amount of estimated unbilled sales. The level of credit is influenced by the customer's credit history with the Debtors and other available information, including industry-specific data.

The Debtors share partially in the credit risk for sales to their wholesalers under their agreement with their largest national distributor.

The Debtors maintain a reserve account for estimated losses resulting from the inability of our customers to make required payments. If the financial condition of the Debtors' customers were to deteriorate, resulting in an impairment of their ability to pay, additional allowances might be required.

17. ***The Debtors' single copy revenues consist of copies sold primarily to three wholesalers.***

As of June 30, 2010, single copy revenues consisted of copies distributed to newsstands primarily by three wholesalers, which the Debtors estimate represented approximately 81% of the newsstand distribution market, as well as several smaller wholesalers who represented the remaining approximately 19%. In fiscal year 2010, two wholesalers each accounted for greater than 10% of the Debtors' total operating revenue and in the aggregate accounted for approximately 45% of our total operating revenue. The Debtors have service agreements with these wholesalers, which provide incentives to maintain certain levels of service. When these agreements expire, the Debtors cannot assure you that their wholesalers will renew these agreements on favorable terms, extend the terms of these agreements or extend their relationship with the Debtors at all. The Debtors operating results could be materially affected by disruption of the distribution of their magazines through the wholesalers.

18. ***Employee benefit costs are increasing significantly.***

Health insurance costs have increased significantly faster than inflation on an annual basis during the past few years. The Debtors also anticipate that in coming years, the cost of health care will continue to escalate, causing an increase to their expenses and employee contributions.

IX.

VOTING PROCEDURES AND REQUIREMENTS

Voting instructions are provided with the Ballot or Master Ballot, as applicable, accompanying this Disclosure Statement. For purposes of the Plan, only Classes 2, 5, 6 and 7, which are comprised of the Term Facility Claims, PIK Notes Claims, Subordinated Notes Claims and 2011 Notes Claims, are entitled to vote. If your Claim is not in one of these Classes, you are not entitled to vote on the Plan and you will not receive a Ballot with this Disclosure Statement. If your Claim is in one of these Classes, you should read your Ballot and follow the listed instructions carefully. Please use only the Ballot that accompanies this Disclosure Statement.

IF YOU HAVE ANY QUESTIONS CONCERNING THE BALLOT, YOU MAY CONTACT THE VOTING AGENT AT (877) 833-4150.

A. Vote Required for Acceptance by a Class

Under the Bankruptcy Code, acceptance of a plan by a class of claims is determined by calculating the number and the amount of claims voting to accept, based on the actual total allowed claims voting. Acceptance requires an affirmative vote of more than one-half of the total allowed claims voting and two-thirds in amount of the total allowed claims voting.

B. Classes Not Entitled to Vote

Under the Bankruptcy Code, creditors are not entitled to vote and are deemed to have accepted the plan if their contractual rights are left unimpaired by the plan. In addition, classes of Claims or interests that are not entitled to receive property under the plan are not entitled to vote and deemed not to have accepted the plan. Based on this standard, the Holders of Claims in Classes, 1, 3, 4, 8 and 9, which are comprised of Priority Non-Tax Claims, Revolver Claims, Other Secured Claims, General Unsecured Claims are not entitled to vote and deemed to have accepted the Plan because their rights are left unimpaired under the Plan. In addition, Holders of Intercompany Claims are impaired, but deemed to have accept the Plan. Finally, Holders of Interests in Class 10, which is comprised of Interests in AMI, are not entitled to receive vote on the Plan because they are not entitled to receive a distribution under the Plan.

C. Voting Record Date

The voting record date (the "*Voting Record Date*") is October 29, 2010. The Voting Record Date is the used to determine whether Holders of Claims in Classes 2, 5, 6 and 7 are entitled to vote to accept or reject the Plan.

D. Voting on the Plan

The solicitation period for eligible creditors to vote to accept or reject the Plan will commence prior to the Petition Date. In order for your vote to be counted, your vote must be actually ***received*** by the Voting Agent at the following address before the Voting Deadline of 5:00 P.M., (Eastern Time), on November 15, 2010:

Voting Agent For Voting Classes 2, 5, 6 and 7:

American Media Ballot Processing Center
Kurtzman Carson Consultants LLC
599 Lexington Avenue, 39th Floor
New York, NY 10022

If your vote is received by the Voting Agent after the Voting Deadline, the Debtors, in their sole discretion, will decide whether or not your vote will be counted.

If the return envelope provided with your Ballot is addressed to your Nominee, you must allow sufficient time for your Nominee to cast your vote on a Master Ballot so that it is actually received by the Voting Agent on or before the Voting Deadline (5:00 P.M., Eastern Time, on November 15, 2010).

A BENEFICIAL OWNER HOLDING EXISTING NOTES IN "STREET NAME" THROUGH A NOMINEE MAY VOTE AS FURTHER DESCRIBED BELOW.

IF YOU MUST RETURN YOUR BALLOT TO A NOMINEE, OR TO A NOMINEE'S AGENT, YOU MUST RETURN YOUR BALLOT TO THEM IN SUFFICIENT TIME FOR THEM TO PROCESS IT AND RETURN THE MASTER BALLOT TO THE VOTING AGENT BEFORE THE VOTING DEADLINE.

IF A BALLOT IS DAMAGED OR LOST, YOU MAY CONTACT THE VOTING AGENT AT THE NUMBER SET FORTH ABOVE. ANY BALLOT THAT IS EXECUTED AND RETURNED BUT WHICH DOES NOT INDICATE AN ACCEPTANCE OR REJECTION OF THE PLAN WILL NOT BE COUNTED.

E. Beneficial Owners

A beneficial owner holding existing notes as record holder in its own name should vote on the Plan by completing and signing a Ballot and returning it to its Nominee.

Complete and sign the enclosed Ballot. Return the Ballot to your Nominee as promptly as possible and in sufficient time to allow such Nominee to process your instructions and return a completed Master Ballot to the Voting Agent by the Voting Deadline.

Any Ballot returned to a Nominee by a beneficial owner will not be counted for purposes of acceptance or rejection of the Plan until such Nominee properly completes and delivers to the Voting Agent that Ballot casting the vote of such beneficial owner.

If any beneficial owner owns existing notes through more than one Nominee, such beneficial owner may receive multiple mailings containing the Ballots. The beneficial owner should execute a separate Ballot for each block of existing notes that it holds through any particular Nominee and return each Ballot to the respective Nominee in the return envelope provided therewith.

F. Nominees

A Nominee that, on the Record Date, is the registered holder of existing notes for one or more beneficial owners can obtain the votes of the beneficial owners of such existing notes, consistent with customary practices for obtaining the votes of securities held in "street name," in the following manner.

1. ***Master Ballots***

The Nominee may obtain the votes of beneficial owners by forwarding to the beneficial owners the unsigned Ballots, together with the Disclosure Statement, a pre-addressed, postage-paid return envelope addressed to the Nominee, and other materials requested to be forwarded in accordance with the instructions set forth on the Master Ballots. Each such beneficial owner must then indicate his, her or its vote on the Ballot, complete the information requested on the Ballot, review the certifications contained on the Ballot, execute the Ballot and return the Ballot to the Nominee. After collecting the Ballots, the Nominee should, in turn, complete a Master Ballot compiling the votes and other information from the Ballots, execute the Master Ballot, and deliver the Master Ballot to the Voting Agent so that it is ACTUALLY RECEIVED by the Voting Agent on or before the Voting Deadline. All Ballots returned by beneficial owners should either be forwarded to the Voting Agent (along with the Master Ballot) or retained by Nominees for inspection for at least

one year from the Voting Deadline. EACH NOMINEE SHOULD ADVISE ITS BENEFICIAL OWNERS TO RETURN THEIR BENEFICIAL OWNER BALLOTS TO THE NOMINEE BY A DATE CALCULATED BY THE NOMINEE TO ALLOW IT TO PREPARE AND RETURN THE MASTER BALLOT TO THE VOTING AGENT SO THAT IT IS RECEIVED BY THE VOTING AGENT ON OR BEFORE THE VOTING DEADLINE.

2. ***Miscellaneous***

All Ballots must be signed by the holder of existing notes of record or any person who has obtained a properly completed Ballot proxy from the record holder of the existing notes on such date. For purposes of voting to accept or reject the Plan, the beneficial owners of existing notes will be deemed to be the "Holders" of the Claims represented by such existing notes. Unless otherwise ordered by the Bankruptcy Court, Ballots that are signed, dated and timely received, but on which a vote to accept or reject the Plan has not been indicated, will not be counted. Where applicable, the Debtors, in their sole discretion, may request that the Voting Agent attempt to contact such voters to cure any such defects in the Ballots.

Under the Bankruptcy Code, for purposes of determining whether the requisite acceptances have been received, only Holders of existing notes who actually vote will be counted. The failure of a Holder to deliver a duly executed Ballot to the Voting Agent or its Nominee will be deemed to constitute an abstention by such holder with respect to voting on the Plan and such abstentions will not be counted as votes for or against the Plan.

Except as provided below, unless a Ballot or Master Ballot is timely submitted to the Voting Agent before the Voting Deadline together with any other documents required by such Ballot or Master Ballot, the Debtors may, in their sole discretion, reject such Ballot or Master Ballot as invalid, and therefore decline to utilize it in connection with seeking confirmation of the Plan.

3. ***Fiduciaries And Other Representatives***

If a Ballot is signed by a trustee, executor, administrator, guardian, attorney-in-fact, officer of a corporation, or another acting in a fiduciary or representative capacity, such person should indicate such capacity when signing, and may be required, upon request, to submit proper evidence satisfactory to the Debtors of authority to so act. Authorized signatories should submit the separate Ballot of each beneficial owner for whom they are voting.

UNLESS THE BALLOT OR THE MASTER BALLOT IS SUBMITTED TO THE VOTING AGENT ON OR PRIOR TO THE VOTING DEADLINE, SUCH BALLOT WILL BE REJECTED AS INVALID AND WILL NOT BE COUNTED AS AN ACCEPTANCE OR REJECTION OF THE PLAN; PROVIDED, HOWEVER, THAT THE DEBTORS RESERVE THE RIGHT, IN THEIR SOLE DISCRETION, TO REQUEST OF THE BANKRUPTCY COURT THAT ANY SUCH BALLOT OR MASTER BALLOT BE COUNTED.

4. ***Agreements Upon Furnishing Ballots or Master Ballots***

The delivery of an accepting Ballot or Master Ballot pursuant to one of the procedures set forth above will constitute the agreement of the creditor(s) with respect to such Ballot or Master Ballot to accept (i) all of the terms of, and conditions to, this solicitation of votes to accept or reject the Plan; and (ii) the terms of the Plan including the releases or exculpations set forth in Section 10.4 and 10.7 therein. All parties in interest retain their right to object to confirmation of the Plan pursuant

to Bankruptcy Code section 1128, subject to any applicable terms of the Restructuring Support Agreement.

5. ***Change of Vote***

Any party who has previously submitted to the Voting Agent prior to the Voting Deadline a properly completed Ballot or Master Ballot may revoke such Ballot or Master Ballot and change its vote by submitting to the Voting Agent prior to the Voting Deadline a subsequent properly completed Ballot or Master Ballot for acceptance or rejection of the Plan.

G. Waivers of Defects, Irregularities, Etc.

Unless otherwise directed by the Bankruptcy Court, all questions as to the validity, form, eligibility (including time of receipt), acceptance, and revocation or withdrawal of Ballots or Master Ballots will be determined by the Debtors in their sole discretion, which determination will be final and binding. Effective withdrawals of Ballots or Master Ballots must be delivered to the Voting Agent prior to the Voting Deadline. The Debtors reserve the absolute right to contest the validity of any such withdrawal. The Debtors also reserve the right to reject any and all Ballots or Master Ballots not in proper form, the acceptance of which would, in the opinion of the Debtors or their counsel, be unlawful. The Debtors further reserve the right to waive any defects or irregularities or conditions of delivery as to any particular Ballot or Master Ballot. The interpretation (including the Ballots and the respective instructions thereto) by the Debtors, unless otherwise directed by the Bankruptcy Court, will be final and binding on all parties. Unless waived, any defects or irregularities in connection with deliveries of Ballots or Master Ballots must be cured within such time as the Debtors (or the Bankruptcy Court) determine. Neither the Debtors nor any other person will be under any duty to provide notification of defects or irregularities with respect to deliveries of Ballots or Master Ballots nor will any of them incur any liabilities for failure to provide such notification. Unless otherwise directed by the Bankruptcy Court, delivery of such Ballots or Master Ballots will not be deemed to have been made until such irregularities have been cured or waived. Ballots or Master Ballots previously furnished (and as to which any irregularities have not theretofore been cured or waived) will be invalidated.

H. Further Information, Additional Copies

If you have any questions or require further information about the voting procedures for voting your Claims or about the packet of material you received, or if you wish to obtain an additional copy of the Plan, this offering memorandum, or any exhibits to such documents, please contact the Voting Agent.

X.

CONFIRMATION OF THE PLAN

A. Confirmation Hearing

Bankruptcy Code section 1128(a) requires the Bankruptcy Court, after appropriate notice, to hold a hearing on confirmation of a plan. On or as promptly as practicable after the Petition Date, the Debtors will request that the Bankruptcy Court schedule the Confirmation Hearing. Notice of the Confirmation Hearing will be provided to all known creditors, equity holders or their representatives. The Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court without

further notice except for an announcement of the adjourned date made at the confirmation hearing or any subsequent adjourned confirmation hearing.

Bankruptcy Code section 1128(b) provides that any party in interest may object to confirmation of a plan. Any objection to confirmation of the Plan must be in writing, must conform to the Bankruptcy Rules, must set forth the name of the objector, the nature and amount of Claims or Interests held or asserted by the objector against the particular Debtor or Debtors, the basis for the objection and the specific grounds therefor, and must be filed with the Bankruptcy Court, with a copy to Chambers, together with proof of service thereof, and served upon (i) Akin Gump Strauss Hauer & Feld LLP, One Bryant Park, New York, New York 10036 (Attn: Ira Dizengoff, Esq., Arik Preis, Esq. and Meredith A. Lahaie, Esq.), attorneys for the Debtors, (ii) the Office of the United States Trustee for the Southern District of New York, 33 Whitehall Street, 21st Floor, New York, New York 10004, (iii) Paul, Weiss, Rifkin, Wharton & Garrison LLP, 1285 Avenue of the Americas, New York, New York 10019 (Attn: Andrew N. Rosenberg, Esq. and Diane Meyers, Esq.), attorneys for the Committee, (iv) Wachtell, Lipton, Rosen & Katz LLP, 51 West 52nd Street, New York, New York 10019 (Attn: Richard G. Mason, Esq. and Jennifer S. Nam, Esq.), attorneys for the Administrative Agent and (v) such other parties as the Bankruptcy Court may order.

Objections to confirmation of the Plan are governed by Bankruptcy Rule 9014. **UNLESS AN OBJECTION TO CONFIRMATION IS TIMELY SERVED AND FILED, IT MAY NOT BE CONSIDERED BY THE BANKRUPTCY COURT.**

B. General Requirements of Bankruptcy Code Section 1129

At the Confirmation Hearing, the Bankruptcy Court will determine whether the confirmation requirements specified in Bankruptcy Code section 1129 have been satisfied. Among other requirements for confirmation of a plan are that the plan (i) is accepted by all impaired classes of claims or equity interests or, if rejected by an impaired class, that the plan satisfy the "cram down" requirements of Bankruptcy Code section 1129(b), (ii) is feasible and (iii) is in the "best interests" of creditors and holders of interests.

C. Confirmation Without Acceptance of All Impaired Classes

The Bankruptcy Court may confirm a plan of reorganization over the rejection or deemed rejection of the plan of reorganization by a class of claims or equity interests if the plan of reorganization "does not discriminate unfairly" and is "fair and equitable" with respect to such class.

1. ***No Unfair Discrimination.***

This test applies to classes of claims or equity interests that are of equal priority and are receiving different treatment under the plan of reorganization. The test does not require that the treatment be the same or equivalent, but that such treatment is "fair."

2. ***Fair and Equitable Test.***

This test applies to classes of different priority and status (e.g., secured versus unsecured) and includes the general requirement that no class of claims receive more than 100% of the allowed amount of the claims in such class. As to the dissenting class, the test sets different standards, depending on the type of claims or equity interests in such class:

- *Secured Creditors*. Each holder of an impaired secured claim either (i) retains its liens on the property, to the extent of the allowed amount of its secured claim and receives deferred cash payments having a value, as of the effective date, of at least the allowed amount of such claim, or (ii) has the right to credit bid the amount of its claim if its property is sold and retains its liens on the proceeds of the sale (or if sold, on the proceeds thereof) or (iii) receives the "indubitable equivalent" of its allowed secured claim.

- *Unsecured Creditors*. Either (i) each holder of an impaired unsecured claim receives or retains under the plan of reorganization property of a value equal to the amount of its allowed claim or (ii) the holders of claims and equity interests that are junior to the claims of the dissenting class will not receive any property under the plan of reorganization.

- *Equity Interests*. Either (i) each equity interest holder will receive or retain under the plan of reorganization property of a value equal to the greater of (a) the fixed liquidation preference or redemption price, if any, of such stock and (b) the value of the stock, or (ii) the holders of equity interests that are junior to the equity interests of the dissenting class will not receive any property under the plan of reorganization.

The Debtors believe the Plan will satisfy the "fair and equitable" requirement.

D. Best Interests Test

The Bankruptcy Code requires that each holder of an impaired claim or interest either (i) accept the plan or (ii) receive or retain under the plan property of a value, as of the effective date, that is not less than the value such holder would receive if the Debtors were liquidated under chapter 7 of the Bankruptcy Code.

The Debtors' costs of liquidation under chapter 7 would include the fees payable to a trustee in bankruptcy, as well as those fees that might be payable to attorneys and other professionals that such a trustee might engage. Other liquidation costs include the expenses incurred during the Chapter 11 Cases allowed in the chapter 7 case, such as compensation for attorneys, financial advisors, appraisers, accountants and other professionals for the Debtors, as well as other claims for the compensation and reimbursement of professionals. In addition, Claims would arise by reason of the breach or rejection of obligations incurred and leases and executory contracts assumed or entered into by the Debtors during the pendency of the Chapter 11 Cases.

The foregoing types of Claims, costs, expenses, fees and such other Claims that may arise in a liquidation case would be paid in full from the liquidation proceeds before the balance of those proceeds would be made available to pay pre-chapter 11 priority and unsecured claims. The Debtors believe that in a chapter 7 liquidation, the Holders of Claims or Interests would receive significantly less distribution of property, if any.

The Debtors' liquidation analysis is an estimate of the proceeds that may be generated as a result of a hypothetical chapter 7 liquidation of the Debtors. The analysis is based on a number of significant assumptions that are described below. The liquidation analysis does not purport to be a valuation of the Debtors' assets and is not necessarily indicative of the values that may be realized in an actual litigation.

E. Liquidation Analysis

The Debtors liquidation analysis is attached hereto as Exhibit "I."

F. Feasibility

The Bankruptcy Code requires that a debtor demonstrate that confirmation of a plan is not likely to be followed by liquidation or the need for further financial reorganization. For purposes of determining whether the Plan meets this requirement, the Debtors have analyzed their ability to meet their obligations under the Plan. As part of this analysis, the Debtors have prepared the Forecast described in Section VII above and attached as Exhibit "G" hereto. Based upon such Forecast, the Debtors believe that they will be able to make all payments required pursuant to the Plan and, therefore, that confirmation of the Plan is not likely to be followed by liquidation or the need for further reorganization.

XI.

ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PLAN

A. Liquidation Under Chapter 7 or Chapter 11

If no plan is confirmed, the Debtors may be forced to liquidate under chapter 7 of the Bankruptcy Code, pursuant to which a trustee would be elected or appointed to liquidate the Debtors' assets for distribution to creditors in accordance with the priorities established by the Bankruptcy Code. A discussion of the effect that a chapter 7 liquidation would have on the recoveries of holders of Claims is set forth in Section X.E of this Disclosure Statement. The Debtors believe that liquidation under chapter 7 would result in smaller distributions being made to creditors than those provided for in the Plan because of (a) the likelihood that other assets of the Debtors would have to be sold or otherwise disposed of in a less orderly fashion, (b) additional administrative expenses attendant to the appointment of a trustee and the trustee's employment of attorneys and other professionals, (c) additional expenses and Claims, some of which would be entitled to priority, which would be generated during the liquidation and from the rejection of leases and other executory contracts in connection with a cessation of the Debtors' operations. In a chapter 7 liquidation, the Debtors believe that there would be no distribution to Holders of Allowed Claims in Classes 1, 4, 5, 6, 7, 8, 9 and 10 and the distribution to holders of Allowed Claims in Classes 2 and 3 would be materially less.

The Debtors could also be liquidated pursuant to the provisions of a chapter 11 plan of liquidation. In a liquidation under chapter 11, the Debtors' assets could be sold in an orderly fashion over a longer period of time than in a liquidation under chapter 7. Thus, a chapter 11 liquidation might result in larger recoveries than in a chapter 7 liquidation, but the delay in distributions could result in lower present values received and higher administrative costs. Because a trustee is not required in a chapter 11 case, expenses for professional fees could be lower than in a chapter 7 case, in which a trustee must be appointed. Any distribution to the Holders of Claims under a chapter 11 liquidation plan probably would be delayed substantially.

The Debtors believe that any alternative liquidation under chapter 7 or chapter 11 is a much less attractive alternative to creditors than the Plan because of the greater return the Debtors believe is provided to creditors under the Plan.

B. Alternative Plan

If the requisite acceptances are not received or if the Plan is not confirmed, the Debtors or any other party in interest (if the Debtors' exclusive period in which to file a plan has expired), may attempt to formulate and propose a different plan or plans of reorganization. Such a plan or plan(s) might involve either a reorganization and continuation of the Debtors' businesses or an orderly liquidation of the Debtors' assets under chapter 11.

The Debtors' businesses could suffer from increased costs, erosion of customer confidence and liquidity difficulties if the Debtors remained Debtors in possession during a lengthy chapter 11 process while trying to negotiate a different plan.

The Debtors believe that the Plan enables creditors to realize the greatest possible value under the circumstances and that, compared to any later alternative plan, the Plan has the greatest chance to be confirmed and consummated.

XII.

CERTAIN UNITED STATES FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN

EACH HOLDER OF TERM FACILITY CLAIMS, PIK NOTES CLAIMS, SUBORDINATED NOTE CLAIMS OR 2011 NOTES CLAIMS SHOULD CONSULT ITS TAX ADVISOR AS TO THE PARTICULAR TAX CONSEQUENCES TO SUCH HOLDER OF THE PLAN, IF CONSUMMATED, INCLUDING THE APPLICABILITY OF U.S. FEDERAL, STATE, OR LOCAL TAX LAWS OR NON-U.S. TAX LAWS.

The following is a summary of certain U.S. federal income tax consequences to U.S. Holders and Non-U.S. Holders (each as defined below) of Term Facility Claims, PIK Notes Claims, Subordinated Notes Claims, and 2011 Notes Claims (each as defined in the Plan) ("***Claims***") under the Plan.

The following discussion is based upon the U.S. Internal Revenue Code of 1986, as amended (the "***Tax Code***"), U.S. judicial decisions, administrative pronouncements and final, temporary and proposed Treasury regulations promulgated under the Tax Code ("***Treasury Regulations***"), all as in effect as of the date hereof. All of the preceding authorities are subject to change, possibly with retroactive effect, which may result in U.S. federal income tax consequences different from those discussed below. No opinion of counsel has been sought or obtained with respect to any tax consequences of the Plan. No rulings or determinations of the IRS or any other tax authorities have been sought or obtained with respect to any tax consequences of the Plan, and the discussion below is not binding on the IRS or such other authorities. In addition, a significant amount of time may elapse between the date of this Disclosure Statement and the consummation of the Plan. Events occurring after the date of this Disclosure Statement, including changes in law and changes in administrative positions, could affect the U.S. federal income tax consequences of the Plan. No representations are being made regarding the particular tax consequences of the confirmation and consummation of the Plan to the Debtors or any holder. No assurance can be given that the IRS would not assert, or that a court would not sustain, a different position from any discussed herein.

With respect to the Plan, unless otherwise stated, this summary deals with debt and stock held as capital assets (generally, assets held for investment) by U.S. Holders. In addition, this summary assumes that the Term Facility, the PIK Notes, Subordinated Notes, and the 2011 Notes are classified for U.S. federal income tax purposes as indebtedness of AMO. The U.S. federal income tax treatment

of a U.S. Holder may vary depending on such U.S. Holder's particular situation. This summary does not address all of the tax consequences that may be relevant to U.S. Holders subject to special tax treatment such as, for example, insurance companies, broker dealers, tax-exempt organizations, regulated investment companies, expatriates, persons holding the Claims as part of a straddle, hedge, conversion transaction or other integrated investment and persons whose functional currency is not the U.S. dollar. This summary is based on U.S. federal income tax law in effect as of the date hereof, which is subject to change or differing interpretation, possibly on a retroactive basis. This summary does not address any aspects of U.S. federal tax law other than income tax law, or any aspects of U.S. state or local, or Non-U.S. tax laws.

For purposes of this summary, a "***U.S. Holder***" means a holder of Claims that, in any case, is, for U.S. federal income tax purposes: (i) an individual that is a citizen or resident of the United States; (ii) a corporation, or other entity treated as a corporation for U.S. federal income tax purposes, created or organized in or under the laws of the United States, any state thereof or the District of Columbia; (iii) an estate, the income of which is subject to U.S. federal income taxation regardless of its source; or (iv) a trust (x) if a court within the United States is able to exercise primary supervision over its administration and one or more United States persons have the authority to control all of the substantial decisions of such trust or (y) that has a valid election in effect under applicable Treasury Regulations to be treated as a U.S. person. A "***Non-U.S. Holder***" means a holder of Claims that is not a U.S. Holder and is, for U.S. federal income tax purposes, an individual, corporation (or other entity treated as a corporation for U.S. federal income tax purposes), estate or trust.

If an entity taxable as a partnership for U.S. federal income tax purposes holds Claims, the U.S. federal income tax treatment of a partner (or other owner) of the entity generally will depend on the status of the partner (or other owner) and the activities of the entity. Such partner (or other owner) should consult its tax advisor as to the tax consequences of the entity's ownership or disposition of Claims or of the New Second Lien Financing, New Common Stock, and New PIK Notes or New Preferred Stock, if any.

TO ENSURE COMPLIANCE WITH TREASURY DEPARTMENT CIRCULAR 230, HOLDERS OF CLAIMS UNDER THE PLAN ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF FEDERAL TAX ISSUES IN THIS DISCLOSURE STATEMENT IS NOT INTENDED OR WRITTEN TO BE RELIED UPON, AND CANNOT BE RELIED UPON, BY HOLDERS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON THEM UNDER THE TAX CODE; (B) SUCH DISCUSSION IS BEING USED IN CONNECTION WITH THE PROMOTION OR MARKETING (WITHIN THE MEANING OF CIRCULAR 230) BY US OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) HOLDERS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

A. U.S. Federal Income Consequences to the Debtors

1. ***COD Income of the Debtors***

In general, absent an exception, a company will recognize cancellation of debt income ("***COD Income***") upon satisfaction of its outstanding indebtedness for total consideration less than the amount of such indebtedness. The amount of COD Income generally is the excess of (a) the adjusted issue price of the indebtedness satisfied, over (b) the sum of (x) the amount of cash paid, and (y) the fair market value of any consideration (including stock of the debtor) given in satisfaction of such indebtedness at the time of the exchange.

A company will not be required to include any amount of COD Income in gross income if the debtor is under the jurisdiction of a court in a case under chapter 11 of the Bankruptcy Code and the discharge of debt occurs pursuant to that proceeding. Instead, as a consequence of such exclusion, a debtor must reduce its tax attributes by the amount of COD Income that it excluded from gross income under section 108 of the Tax Code. In general, tax attributes will be reduced in the following order: (a) NOLs; (b) most tax credits and capital loss carryovers; (c) tax basis in assets; and (d) foreign tax credits. A debtor with COD Income may elect first to reduce the basis of its depreciable assets under section 108(b)(5) of the Tax Code.

The reduction in tax attributes occurs only after the tax for the year of the debt discharge has been determined. For the purpose of attribute reduction, any limitations on the use of NOLs, as discussed below, are disregarded. In the context of a consolidated group of corporations, the Tax Code provides for a complex ordering mechanism to determine how the tax attributes of one member can be reduced in respect of the COD Income of another member.

With respect to transactions giving rise to COD Income occurring in 2010, a debtor may elect to defer the recognition of the COD Income, and thus the requirement to pay tax currently, until 2014. If the debtor defers such COD Income until 2014, the COD Income is then included in income ratably over the five (5) taxable year period beginning in 2014. In certain cases, debtors may make the deferral election on a protective basis.

As discussed in more detail below, the adjusted issue price of the Subordinated Notes is approximately $105 million less than the face amount. Accordingly, in determining the amount of COD Income realized under the Plan, this adjusted issue price would be considered the principal amount of Subordinated Notes outstanding for U.S. federal income tax purposes. Moreover, the amount of COD Income, if any, realized by the Debtors will depend on the value of the New Common Stock, the New Preferred Stock, if any, and the adjusted issue price (determined as described below) of the New Second Lien Financing and New PIK Notes, if any. If the Debtors realize COD Income that is not taxable under the bankruptcy exception, they will be required to reduce their tax attributes, including their NOLs. The exact amount of such reduction would depend on the amount of the COD Income realized, whether the Debtors exclude COD Income under the bankruptcy exception, and whether the Debtors elect to defer the recognition of any COD Income realized.

2. ***Limitation of NOLs and Other Tax Attributes***

The Debtors will have NOL carryovers and other tax attributes at the time of the exchange of approximately $40.0 million, none of which is subject to limitations, as discussed below, from a prior ownership change. The Debtors forecast an additional $35 million of losses in current fiscal year. The precise amount of NOL carryovers that will be available to the Debtors after emergence is based on a number of factors and is impossible to calculate at this time. Some of the factors that will impact the amount of available NOLs include: the amount of tax losses incurred by the Debtors in 2010; the value of the New Common Stock and the New Preferred Stock, if any; the issue price of the New Second Lien Financing and New PIK Notes, if any; and the amount of COD Income, if any, realized by the Debtors under the Plan.

Under sections 382 and 383 of the Tax Code, if a corporation undergoes an "ownership change," the amount of its pre-change losses that may be utilized to offset future taxable income generally is subject to an annual limitation. In light of the large overlap between current holders of AMI Common Stock and Holders of Subordinated Notes (the same parties own 70% of the AMI Common Stock and approximately 78% of the Subordinated Notes), the Debtors anticipate that the

issuance of the New Common Stock and, if applicable, the New Preferred Stock, under the Plan are not likely to result in an "ownership change" of the Debtors for these purposes, and that the Debtors' use of their pre-change losses is not likely to be subject to limitation unless an exception to the general rules of sections 382 and 383 of the Tax Code applies.

General Section 382 Annual Limitation. In general, the amount of the annual limitation to which a corporation that undergoes an "ownership change" would be subject is equal to the product of (i) the fair market value of the stock of the corporation immediately before the "ownership change" (with certain adjustments) multiplied by (ii) the "long-term tax-exempt rate" (which is the highest of the adjusted Federal long-term rates in effect for any month in the 3-calendar-month period ending with the calendar month in which the "ownership change" occurs; 3.86% for November 2010). Any unused limitation may be carried forward, thereby increasing the annual limitation in the subsequent taxable year.

Special Bankruptcy Exceptions. An exception to the foregoing annual limitation rules generally applies when so-called "qualified creditors" of a debtor company in chapter 11 receive, in respect of their claims, at least 50% of the vote and value of the stock of the reorganized debtor (or a controlling corporation if also in chapter 11) pursuant to a confirmed chapter 11 plan (the "***382(l)(5) Exception***"). Under the 382(l)(5) Exception, a debtor's pre-change losses are not limited on an annual basis but, instead, are required to be reduced by the amount of any interest deductions claimed during the three taxable years preceding the effective date of the plan of reorganization, and during the part of the taxable year prior to and including the effective date of the plan of reorganization, in respect of all debt converted into stock in the reorganization. If the 382(l)(5) Exception applies and the Debtors undergo another "ownership change" within two (2) years after consummation of the Plan, then the Debtors' annual limitation to use their pre-change losses against their future income would be reduced to zero.

Where the 382(l)(5) Exception is not applicable (either because the debtor does not qualify for it or the debtor elects not to utilize the 382(l)(5) Exception), a second special rule will generally apply (the "***382(l)(6) Exception***"). Under the 382(l)(6) Exception, the limitation will be calculated by reference to the lesser of the value of the debtor corporation's new stock (with certain adjustments) immediately after the ownership change or the value of such debtor corporation's assets (determined without regard to liabilities) immediately before the ownership change. This differs from the ordinary rule that requires the fair market value of a debtor corporation that undergoes an "ownership change" to be determined before the events giving rise to the change. The 382(l)(6) Exception also differs from the 382(l)(5) Exception in that under the 382(l)(6) Exception the debtor corporation is not required to reduce its NOLs by the amount of interest deductions claimed during the current year and three preceding years with respect to the debt converted to equity, and the debtor may undergo a change of ownership within two (2) years without reducing the annual limitation on its NOLs to zero.

The issuance under the Plan of New Common Stock and, if applicable, the New Preferred Stock, along with the cancellation of existing stock of the Debtors, is not expected to cause an ownership change with respect to the Debtors. If, however, an ownership changes does occur, the Debtors' pre-change losses would be subject to the Section 382 limitation (as described above). The Debtors anticipate that any limitation arising under the Plan will be calculated according to the Section 382(l)(6) Rule. If an ownership change occurs contrary to expectation, the Debtors are uncertain, at this time, whether they would qualify for the Section 382(l)(5) Rule, and whether the consequences of that rule would be favorable relative to those under the Section 382(l)(6) Rule.

If the merger of AMI into AMO were to occur, AMO would become the successor parent to the old AMI consolidated group, the group's NOLs would remain intact, and the change in control

rules would apply to AMO in substantially the same manner as if AMI had continued in existence the shareholders held AMI Common Stock instead of AMO common stock.

3. ***Treatment of the New PIK Notes as Applicable High Yield Discount Obligations***

The New PIK Notes may be subject to the provisions of the Tax Code dealing with applicable high yield discount obligations, see discussion below. If the New PIK Notes are subject to the applicable high yield discount obligations, any interest deductions with respect to any original issue discount ("***OID***") relating to the New PIK Notes will be deferred until paid in cash or in other property (other than stock or debt issued by the Debtors or by a person deemed to be related to the Debtors under section 453(f)(1) of the Tax Code), and will be disallowed to the extent the yield to maturity on the New PIK Notes exceeds six percentage points over the applicable federal rate.

4. ***Alternative Minimum Tax***

In general, an alternative minimum tax ("***AMT***") is imposed on a corporation's alternative minimum taxable income at a 20% rate to the extent that such tax exceeds the corporation's regular federal income tax. For purposes of computing taxable income for AMT purposes, certain tax deductions and other beneficial allowances are modified or eliminated. In particular, even though a corporation otherwise might be able to offset all of its taxable income for regular tax purposes by available NOL carry-forwards, only 90% of a corporation's taxable income from AMT purposes may be offset by available NOL carry-forwards (as computed for AMT purposes).

In addition, if a corporation undergoes an ownership change, within the meaning of section 382 of the Tax Code and is in a net unrealized built-in loss position (as determined for AMT purposes) on the date of the ownership change, the corporation's aggregate tax basis in its assets would be adjusted for certain AMT purposes to reflect the fair market value of such assets as of the change date.

B. U.S. Federal Income Tax Consequences to U.S. Holders Under the Plan

The following discussion describes certain U.S. federal income tax consequences to U.S. Holders under the Plan.

The U.S. federal income tax consequences of the Plan to a U.S. Holder and the character, amount and timing of income, gain or loss recognized as a consequence of the Plan and the distributions provided for or by the Plan generally will depend upon, among other things, (i) the manner in which a U.S. Holder acquired the Claim, (ii) the length of time the Claim has been held, (iii) whether the Claim was acquired at a discount, (iv) whether the U.S. Holder has taken a bad debt deduction in the current or prior years, (v) whether the U.S. Holder has previously included accrued but unpaid interest with respect to the Claim, (vi) the U.S. Holder's method of tax accounting, (vii) whether the U.S. Holder will realize foreign currency exchange gain or loss with respect to the Claim, (viii) whether the Claim is an installment obligation for U.S. federal income tax purposes, and (ix) whether the transaction is treated as a "closed transaction" or an "open transaction." Therefore, U.S. Holders of Claims are urged to consult their tax advisors for information that may be relevant to their particular situations and circumstances and the particular tax consequences to such U.S. Holders as a result thereof.

1. ***Consequences to U.S. Holders of Class 2 Term Facility Claims***

Pursuant to the Plan, Holders of Class 2 Term Facility Claims will receive, in full satisfaction of their Claims, their *pro rata* share of Cash and New Second Lien Notes. They will also have the right to sell their New Second Lien Notes for the face amount of such notes. The U.S. federal income tax consequences of the Plan to such U.S. Holders will depend, in part, on whether both the Allowed Term Facility Claim surrendered and the New Second Lien Notes constitute "securities" for U.S. federal income tax purposes.

Whether a debt instrument constitutes a "security" is determined based on all the facts and circumstances, but most authorities have held that the length of the term of a debt instrument at initial issuance is an important factor in determining whether such instrument is a security for federal income tax purposes. These authorities have indicated that a term of less than five years is evidence that the instrument is not a security, whereas a term of ten (10) years or more is evidence that it is a security. There are numerous other factors that could be taken into account in determining whether a debt instrument is a security, including the security for payment, the creditworthiness of the obligor, the subordination or lack thereof with respect to other creditors, the right to vote or otherwise participate in the management of the obligor, convertibility of the instrument into an equity interest of the obligor, whether payments of interest are fixed, variable or contingent and whether such payments are made on a current basis or accrued. The Debtors expect that the New Revolver Facility will have a term of approximately five (5) years, the New First Lien Financing will have a term of approximately seven (7) years and the New Second Lien Financing will have a term of approximately seven and a half (7.5) years. For purposes of the following discussion, the Debtors will take the position that the Term Facility Claims do not constitute a security.

If the Term Facility is not treated as a "security" for U.S. federal income tax purposes, a U.S. Holder is likely to be treated as exchanging its Term Facility Claim for Cash and New Second Lien Notes in a fully taxable exchange. In that case, the U.S. Holder would recognize gain or loss equal to the difference between (1) the sum of the amount of Cash and the "issue price" of the New Second Lien Notes as of the date that the New Second Lien Notes are received (except for any such stock or notes that are allocable to accrued interest), and (2) the U.S. Holder's adjusted tax basis in the Term Facility Claim surrendered. The determination of the New Second Lien Notes' issue price, in turn, depends, in part, on whether the Term Facility Claim or the New Second Lien Notes are traded on an "established securities market" (i.e., publicly traded) at any time during the sixty (60) day period ending thirty (30) days after the date of the exchange. In general, for these purposes, a debt instrument (or the property exchanged therefor) will be treated as traded on an established market if (a) it is listed on (i) a qualifying national securities exchange, (ii) certain qualifying interdealer quotation systems or (iii) certain qualifying foreign securities exchanges; (b) it appears on a "quotation medium," within the meaning of the applicable regulations; or (c) subject to certain exceptions, price quotations are readily available from dealers, brokers or traders. For this purpose, the issue price of the New Second Lien Notes will equal its fair market value if the New Second Lien Notes are considered to be "publicly traded" for U.S. federal income tax purposes, and if the Term Facility Claim but not the New Second Lien Notes are considered to be publicly traded, then the issue price of the New Second Lien Notes will be the fair market value of the Term Facility Claim. If neither the Term Facility Claim nor the New Second Lien Notes are considered to be publicly traded, then the issue price of the New Second Lien Notes will be its principal amount.

Although not free from doubt, in determining a U.S. Holder's gain or loss under the Plan, we believe that the U.S. Holder's basis in the Term Facility should be apportioned between the Cash and New Second Lien Notes received based on the relative amount of cash and the fair market value of the New Second Lien Notes. If, instead, the exchange is treated as a recapitalization for tax purposes,

gain would be recognized to the extent of the cash received, but the basis likely would be allocated in the same manner. A U.S. Holder's holding period for the New Second Lien Notes should begin on the day following the date that the New Second Lien Notes are received.

If a U.S. Holder sells his New Second Lien Notes to the Backstop Parties, the U.S. Holder will recognize gain such sale. Generally, a U.S. Holder should recognize capital gain or loss if the New Second Lien Notes are a capital asset in the U.S. Holder's hands.

The character of any gain or loss that is recognized will depend upon a number of factors, including the status of the U.S. Holder, the nature of the Claim in its hands, whether the Claim was purchased at a discount, whether and to what extent the U.S. Holder has previously claimed a bad debt deduction with respect to the Claim, and the U.S. Holder's holding period of the Claim. This income or loss may be ordinary if the distribution is in satisfaction of accounts or notes receivable acquired in the ordinary course of the U.S. Holder's trade or business for the performance of services or for the sale of goods or merchandise. Generally, a U.S. Holder should recognize capital gain or loss (which capital gain or loss would be long-term capital gain or loss to the extent that the U.S. Holder has held the debt instrument underlying its Claim for more than one year) if the Claim is a capital asset in the U.S. Holder's hands. To the extent that a portion of the Cash received represents accrued but unpaid interest that the U.S. Holder has not already taken into income, the U.S. Holder should recognize ordinary interest income. See discussion of accrued interest below.

If, however, both a U.S. Holder's New Second Lien Notes and Term Facility are treated as "securities," the exchange of the Term Facility Claim for the New Second Lien Notes should be treated as a "recapitalization" under the Tax Code. In general, this means that a U.S. Holder of the Term Facility Claim would not recognize loss with respect to the exchange and would recognize gain to the extent of (x) the Cash received, and (y) if it puts its New Second Lien Notes to the Backstop Parties, the gain on such New Second Lien Notes. In addition, it would recognize ordinary income to the extent of any accrued but unpaid interest on the Term Facility Claim. If the exchange is treated as a recapitalization, a U.S. Holder should obtain a tax basis in the New Second Lien Notes equal to the tax basis of the Term Facility Claim surrendered under the Plan and a holding period for the New Second Lien Notes that includes the holding period for the Term Facility Claim; provided that the tax basis of any New Second Lien Financing treated as received in satisfaction of accrued interest should equal the amount of such accrued interest, and the holding period for such New Second Lien Financing should not include the holding period of the Term Facility Claim.

2. ***Consequences to U.S. Holders of Class 5 PIK Notes Claims***

Pursuant to the Plan, at its election, a holder of a Class 5 PIK Notes Claim will receive, at the election of Debtors, but subject to the consent of the Committee, as set forth in the Plan, its *pro rata* share of either (a) New Second Lien Notes, (b) New PIK Notes, (c) New Preferred Stock, or (d) a combination of the foregoing.

Generally, under applicable Treasury Regulations, a "significant modification" of a debt instrument will result in a deemed exchange of the "old" debt instrument for a "new" debt instrument for U.S. federal income tax purposes upon which gain or loss may be recognized, even if no actual exchange of the debt instrument occurs. A modification means any alteration, including any deletion or addition of a legal obligation of the issuer of a debt instrument. A modification is a significant modification only if, based on all facts and circumstances and taking into account all modifications of the debt instrument collectively, the legal rights or obligations that are altered and the degree to which they are altered are economically significant. The receipt of New Second Lien Financing would constitute a taxable exchange under this Treasury Regulation. Moreover, the terms of the New PIK

Notes, if issued, would be treated as a significant modification of the PIK Notes because the period of the extension exceeds the safe harbor provided in the applicable Treasury Regulations. Finally, the exchange by AMO of PIK Notes Claims of AMO for New Preferred Stock issued by AMI would constitute a taxable exchange because the stock would be issued by a different issuer than the PIK Notes underlying the Claims.

Since the consideration to be received for the PIK Notes under the Plan would be taxable absent another rule under the Tax Code, the U.S. federal income tax consequences of the Plan to a U.S. Holder will largely depend on whether the PIK Notes Claims surrendered constitute "securities" for U.S. federal income tax purposes, as described above. The PIK Notes have a term of approximately four (4) years. The Debtors expect to take the position that PIK Notes Claims do not constitute securities.

If a U.S. Holder's PIK Notes Claims are not treated as "securities" for U.S. federal income tax purposes, a U.S. Holder who receives New Second Lien Financing, New PIK Notes or New Preferred Stock (or a combination thereof) should be treated as exchanging its PIK Notes Claims for such consideration in a fully taxable exchange. In that case, the U.S. Holder would recognize gain or loss equal to the difference between (1) the "issue price" of the New Second Lien Financing or New PIK Notes, or the fair market value of the New Preferred Stock as of the Effective Date (except for any such stock or notes that are allocable to accrued interest), and (2) the U.S. Holder's adjusted tax basis in the PIK Notes Claims surrendered. For this purpose, the issue price of the New Second Lien Financing or New PIK Notes will equal its fair market value if the New Second Lien Financing or New PIK Notes are considered to be "publicly traded" for U.S. federal income tax purposes, and if the PIK Notes Claims but not the New Second Lien Financing or New PIK Notes, as applicable, are considered to be publicly traded, then the issue price of the New Second Lien Financing or New PIK Notes will be the fair market value of the PIK Notes Claims. If none of the PIK Notes Claims, New Second Lien Financing or New PIK Notes (if applicable) is considered to be publicly traded, then the issue price of the New Second Lien Financing will be its stated principal amount and the issue price of the New PIK Notes, as they have a constant yield maturity, will be considered to be its stated principal amount, unless such New PIK Notes are issued at a discount

In the case of a fully taxable exchange, subject to the market discount rules described below, gain or loss should be capital in nature and should be long-term capital gain or loss if the PIK Notes Claims were held for more than one year by the U.S. Holder. To the extent that a portion of the New Second Lien Financing, New PIK Notes or New Preferred Stock received is allocable to accrued interest, discussed below, the U.S. Holder may recognize ordinary interest income. A U.S. Holder's tax basis in the New Second Lien Financing or New PIK Notes should equal the issue price of such debt instrument as of the Effective Date. A U.S. Holder's holding period for the New Second Lien Financing, New PIK Notes or New Preferred Stock should begin on the day following the Effective Date.

If both a U.S. Holder's (x) PIK Notes Claims, on the one hand, and (y) New Second Lien Financing or New PIK Notes, on the other hand, are treated as "securities," the exchange of the PIK Notes Claims for the New Second Lien Financing and, if applicable, New PIK Notes should be treated as a "recapitalization" under the Tax Code. In general, this means that a U.S. Holder of the PIK Notes Claims would not recognize loss with respect to the exchange and would not recognize gain except (a) with respect to the value of any New Preferred Stock received, if received from AMO, and (b) as discussed below with respect to any accrued but unpaid interest on the PIK Notes Claims. If the exchange is treated as a recapitalization, a U.S. Holder should obtain a tax basis in the New Second Lien Financing and/or New PIK Notes received equal to the tax basis of the PIK Notes Claims surrendered under the Plan, plus any gain recognized, less the amount deemed distributed

(*i.e.*, the value of the New Preferred Stock and of any amount deemed paid for accrued and unpaid interest). That basis likely would be apportioned among the New Second Lien Financing based on the relative fair market value of the two debt instruments. A U.S. Holder should have a holding period for the New Second Lien Financing or New PIK Notes that includes the holding period for the PIK Notes Claims; provided that the tax basis of any asset treated as received in satisfaction of accrued interest should equal the amount of such accrued interest, and the holding period for such New Second Lien Financing should not include the holding period of the PIK Notes Claims.

If the exchange under the Plan is treated as a recapitalization for U.S. federal income tax purposes, a U.S. Holder will recognize gain to the extent of the fair market value on the Effective Date of the New Preferred Stock received from AMO.

To the extent that a U.S. Holder receives New Preferred Stock, the U.S. Holder should recognize gain or loss equal to the difference between (1) the fair market value of the New Preferred Stock that is not allocable to accrued interest and (2) the allocable portion of the U.S. Holder's tax basis in the PIK Notes Claims exchanged for such New Preferred Stock. Such gain or loss should be capital in nature (subject to the "market discount" rules described below) and should be long-term capital gain or loss if the PIK Notes were held for more than one year by the U.S. Holder. To the extent that a portion of the New Preferred Stock received in the exchange is allocable to accrued interest, the U.S. Holder may recognize ordinary income. See the discussion of accrued interest below. Additionally, any loss will be treated as ordinary loss to the extent of a U.S. Holder's prior net inclusions of original issue discount. The deductibility of any capital loss is subject to limitations. A U.S. Holder's tax basis in the New Preferred Stock should equal its fair market value as determined upon the consummation of the Plan. A U.S. Holder's holding period for the New Preferred Stock should begin on the day following the Effective Date.

3. ***Consequences to U.S. Holders of Class 6 Subordinated Notes Claims***

Pursuant to the Plan, in full satisfaction and discharge of their Claims, holders of Class 6 Subordinated Notes Claims will receive New Common Stock. The U.S. federal income tax consequences of the Plan to such Holders of Subordinated Notes Claims will depend, in part, on whether AMI or AMO will exchange New Common Stock for Subordinated Notes.

If AMO exchanges New Common Stock for Subordinated Notes Claims, a U.S. Holder who will be treated as having exchanged its Subordinated Notes Claims for New Common Stock in a taxable transaction. In that case, the U.S. Holder should recognize gain or loss equal to the difference between (1) the fair market value of the New Common Stock that is not allocable to accrued interest and (2) the U.S. Holder's tax basis in the Claims exchanged by the U.S. Holder. Such gain or loss should be capital in nature (subject to the "market discount" rules described below) and should be long-term capital gain or loss if the Subordinated Notes were held for more than one year by the U.S. Holder. To the extent that a portion of the New Common Stock received in the exchange is allocable to accrued interest, the U.S. Holder may recognize ordinary income. See the discussion of accrued interest below. Additionally, any loss will be treated as ordinary loss to the extent of a U.S. Holder's prior net inclusions of original issue discount. The deductibility of any capital loss is subject to limitations.

A U.S. Holder's tax basis in the New Common Stock should equal its fair market value as determined on the Effective Date. A U.S. Holder's holding period for the New Common Stock should begin on the day following the Effective Date. In the event of a merger of AMI into AMO, these consequences should not change.

If, instead, AMI exchanges New Common Stock for Subordinated Notes Claims, the exchange of the Subordinated Notes Claims for New Common Stock is likely to be treated under the Tax Code as a tax-free capital contribution to a corporation controlled by the transferors. In general, this means that a U.S. Holder will not recognize loss with respect to the exchange and will not recognize gain except with respect to accrued but unpaid interest on the Subordinated Notes. In such an exchange, a U.S. Holder's tax basis and holding period in its Subordinated Notes Claims would carry over to the New Common Stock received in exchange therefor; provided that the tax basis of any share of New Common Stock treated as received in satisfaction of accrued interest should equal the amount of such accrued interest, and the holding period for such share of New Common Stock would not include the holding period of the Subordinated Notes. If the merger of AMI into AMO were to occur, the issuance of AMO common stock in exchange for the Subordinated Notes would be treated as a taxable exchange, assuming the Subordinated Notes would not be treated as "securities", with the same consequences as described in the two prior paragraphs dealing with an exchange by AMO of its Subordinated Notes for AMI Common Stock.

Basis of Original Holders of Subordinated Notes. The adjusted basis of a U.S. Holder who acquired its Subordinated Notes when they were issued in January 2009 will be significantly below the face value of such notes. When the Subordinated Notes were issued in January 2009, they initially traded at a significant discount and were treated for federal tax purposes as being issued with OID equal to the difference between the initial deemed issue price and their stated principal amount, which accrued on a yield-to-maturity basis between the issue date and maturity date. See the OID discussion below for additional details. The adjusted issue price has increased to reflect accreted OID for tax purposes, but it is still approximately $105 million less than the face amount in the aggregate.

4. ***Consequences to U.S. Holders of Class 7 2011 Notes Claims***

Pursuant to the Plan, in full satisfaction and discharge of their Claims, holders of Class 7 2011 Notes Claims will receive New Common Stock. Unlike the Subordinated Notes Claims, a 2011 Note likely constitutes a "security" for U.S. federal income tax purposes because it was issued in 2003 with an eight (8) year maturity. Nonetheless, the U.S. federal income tax consequences of the Plan to such Holders of Subordinated Notes Claims will depend, in part, on whether AMI or AMO will exchange New Common Stock for Subordinated Notes. Accordingly, the tax consequences to a U.S Holder of a Class 7 2011 Notes Claim should be the same as to a Class 6 Subordinated Notes Claim.

5. ***Ownership and Disposition of the New Second Lien Financing***

If the stated redemption at maturity (the sum of all payments to be made on the note) exceeds the "issue price" of the New Second Lien Financing, the New Second Lien Financing may be issued with OID in an amount equal to such difference. Assuming that the Term Facility and (as discussed below) the PIK Notes Claims were not, and the New Second Lien Financing is not and will not be, "publicly traded" for purposes of section 1273 of the Tax Code as described above, the "issue price" of the New Second Lien Financing will be its stated principal amount. Otherwise, the issue price of the New Second Lien Financing would be the fair market value of the Term Facility Claims or the PIK Notes Claims on the Effective date. A U.S. Holder of New Second Lien Financing generally must include OID in gross income in advance of the receipt of cash attributable to that income. Each payment made in cash on the New Second Lien Financing will be treated first as a payment of any accrued OID that has not been allocated to prior payments and second as a payment of principal (which is not includible in income). For additional detail, see OID discussion below.

6. ***Ownership and Disposition of the New PIK Notes***

The New PIK Notes will be treated as issued with OID in an amount equal to the difference between their "stated redemption price at maturity" (the sum of all payments to be made on the notes other than "qualified stated interest") and their "issue price." The issue price of the New PIK Notes will be determined in the manner as discussed above under "Consequences to U.S. Holders of Class 5 PIK Notes Claims." A U.S. holder must generally include OID in its gross income as it accrues over the term of the New PIK Notes without regard to its regular method of accounting for U.S. federal income tax purposes and in advance of the receipt of cash payments attributable to that income. See OID discussion below for discussion of consequences of holding a debt instrument issued with OID.

The issuance of New PIK Notes is generally not treated as a payment of interest for U.S. federal income tax purposes. Instead, a New PIK Note and any New PIK Notes issued in respect of PIK interest thereon are treated as a single debt instrument under the OID rules. For U.S. federal income tax purposes, increasing the principal amount of the New PIK Notes will generally be treated the same as the issuance of New PIK Notes.

The OID rules provide that, solely for purposes of the accrual of OID, if the issuer of a debt instrument has an unconditional option to defer the payment of interest, including as a result of paying PIK interest, the issuer will be presumed to exercise such option in the manner that minimizes the yield on the debt instrument. Depending on the issue price of the New PIK Notes, in certain circumstances, the payment of PIK interest will minimize the yield on the New PIK Notes.

If AMI is assumed to exercise its option to pay PIK interest in respect of a New PIK Note, with respect to any interest payment period for which that option is exercised, a U.S. Holder will not be required to adjust its OID calculation on the notes for future periods. If AMI in fact elects to pay a portion of that interest in cash, such cash portion would be treated not as a payment of accrued interest, but instead as a pro rata prepayment, which may result in a gain or loss to a U.S. Holder. Generally, the gain or loss would be calculated by assuming that the New PIK Note consists of two instruments, one that is retired and one that remains outstanding. The adjusted issue price would be allocated between those two instruments based on the portion of the New PIK Note that would be treated as retired by the pro rata prepayment.

If the New PIK Notes are issued for a a price other than at par and if AMI is assumed not to exercise its option to defer the cash interest, with respect to any interest payment period for which that option is not exercised, a U.S. Holder would not be required to adjust its OID calculation for future periods. If AMI in fact elects to pay PIK interest in respect of a New PIK Note, a U.S. holder would be required to adjust its OID calculation for future periods by treating such New PIK Note as if it had been retired and then reissued for an amount equal to its adjusted issue price on the date preceding the first date of such interest payment period, and recalculating the yield to maturity of the reissued New PIK Note by treating the amount of PIK interest that would otherwise have been paid in cash as a payment that will be made on the maturity date of such New PIK Note.

Each payment made in cash with respect to the New PIK Notes, other than a pro rata prepayment, will be treated first as a payment of any accrued OID that has not been allocated to prior payments and second as a payment of principal. A U.S. Holder generally will not be required to include separately in income cash payments received on the notes to the extent such payments constitute payments of previously accrued OID.

The rules regarding OID are complex and the rules described above may not apply in all cases. Accordingly, U.S. Holders should consult their own tax advisors regarding the application of these rules.

Sale, exchange or retirement of New PIK Notes. Upon the sale, exchange, retirement, or other taxable disposition of a New PIK Note, a U.S. Holder generally will recognize gain or loss equal to the difference between the amount realized upon the sale, exchange, retirement, or other taxable disposition and the adjusted tax basis of the New PIK Note. A U.S. Holder's adjusted tax basis in a New PIK Note will, in general, be its initial basis in the New PIK Note increased by OID previously included in income, and reduced by any cash payments on the New PIK Note. Although not free from doubt, a U.S. Holder's adjusted tax basis in a New PIK Note should be allocated between the original New PIK Note and any PIK Notes received in respect of PIK interest thereon in proportion to their relative principal amounts. A U.S. Holder's holding period in any PIK Note received in respect of PIK interest would likely be identical to its holding period for the original New PIK Note with respect to which the PIK Note was received.

Any gain or loss a U.S. Holder recognizes will be capital gain or loss and will be long-term capital gain or loss if at the time of sale, exchange, retirement or other disposition, the New PIK Note has been held for more than one year. Capital gains of noncorporate U.S. holders (including individuals) derived with respect to capital assets held for more than one year are eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations.

7. ***Ownership and Disposition of New Common Stock and New Preferred Stock, if Any***

Dividends on New Common Stock and New Preferred Stock. Distributions made with respect to New Common Stock or New Preferred Stock received under the Plan generally will be treated as dividends to a U.S. Holder to the extent of current and accumulated earnings and profits of AMI as determined under U.S. federal income tax principles, at the end of the tax year of the distribution. To the extent the distributions exceed the current and accumulated earnings and profits of AMI, the excess will be treated first as a tax-free return of capital to the extent of the U.S. Holder's adjusted tax basis in the New Common Stock or New Preferred Stock and thereafter as capital gain. Corporate U.S. Holders generally will be entitled to claim the dividends received deduction with respect to dividends paid on New Common Stock or New Preferred Stock, subject to applicable restrictions, including satisfaction of applicable holding period requirements. These rules apply to dividends paid in kind by the New Preferred Stock, based on the amount of such New Preferred Stock paid in kind.

Sale or Other Disposition of New Common Stock or New Preferred Stock. Upon the sale or other disposition of New Common Stock or New Preferred Stock received under the Plan, a U.S. Holder generally will recognize capital gain or loss equal to the difference between (i) the amount of cash and the fair market value of any property received upon the sale or other disposition and (ii) the U.S. Holder's adjusted tax basis in the New Common Stock or New Preferred Stock. Such capital gain or loss will be long-term if the U.S. Holder's holding period in respect of such New Common Stock or New Preferred Stock is more than one year. The deductibility of capital losses is subject to limitations.

8. ***Accrued Interest***

A portion of the consideration received by participating U.S. Holders may be attributable to accrued but unpaid interest with respect to their Claims. Such amount should be taxable to the U.S. Holders as ordinary interest income if the accrued interest has not been previously included in the

U.S. Holder's gross income for U.S. federal income tax purposes. Conversely, a U.S. Holder generally recognizes a deductible loss to the extent that any accrued interest was previously included in income and is not paid in full. If the Plan is consummated, the Debtors will allocate for U.S. federal income tax purposes all distributions in respect of any Claim first to the principal amount of such Claim, and thereafter to accrued but unpaid interest, pursuant to the Plan. Certain legislative history indicates that an allocation of consideration between principal and interest provided for in a bankruptcy plan of reorganization is binding for U.S. federal income tax purposes. However, no assurance can be given that the IRS will not challenge such allocation. If a distribution with respect to a Claim is allocated entirely to the principal amount of such Claim, a U.S. Holder may be entitled to claim a loss to the extent of any accrued but unpaid interest on the Claim that was previously included in the U.S. Holder's gross income. U.S. Holders of Claims should consult their tax advisors regarding the proper allocation of the consideration received by them under the Plan, as well as the character of any loss claimed with respect to accrued but unpaid interest previously included in gross income.

9. ***OID***

A debt instrument with a term that exceeds one year will constitute a discount note issued with OID if the stated redemption price at maturity of the note exceeds its issue price by the *de minimis* amount (¼ of 1 percent of the "stated redemption price at maturity" multiplied by the number of complete years from the issue date of the note to its maturity) or more. The "issue price" of a debt instrument is determined as described above. The "stated redemption price at maturity" of a debt instrument is the total of all payments provided for under the debt instrument other than payments of "qualified stated interest." The term "qualified stated interest" means stated interest that is unconditionally payable in cash or in property (other than debt instruments of the issuer) at least annually at a single fixed rate or, subject to certain conditions, based on one or more interest indices. Cash interest payments on a debt instrument constitute qualified stated interest. PIK interest is not qualified stated interest and the sum of all PIK payments will be included in the stated redemption price at maturity of the notes (and thus taxable to a U.S. Holder as OID on an economic accrual basis). Generally, a U.S. Holder of a debt instrument issued with OID must accrue such OID into income on an annual basis (as described in more detail below), regardless of the U.S. Holder's general method of accounting.

If the original debt instrument exchanged (or deemed exchanged) and the new debt instrument were to be publicly traded for the applicable period surrounding the exchange, the new debt instrument will be issued with OID if it is traded at a discount to its stated principal amount.

If the applicable debt instrument has OID, regardless of a U.S. Holder's regular method of accounting for U.S. federal income tax purposes, the U.S. Holder would be required to include in taxable income for each taxable year the daily portion of OID, if any, that accrues on the debt instrument, for each day in such taxable year in which the Holder owns the debt instrument. Thus, a U.S. Holder would be required to include OID in income in advance of the receipt of the cash to which such OID is attributable. The daily portion of OID is determined by allocating to each day of an accrual period (generally, the period between interest payments or compounding dates) a pro rata portion of the OID allocable to such accrual period. The amount of OID that would accrue during an accrual period is the product of the "adjusted issue price" of the debt instrument at the beginning of the accrual period multiplied by the "yield-to-maturity" of the debt instrument. The "adjusted issue price" of the debt instrument at the beginning of an accrual period would equal its issue price, increased by the aggregate amount of OID that has accrued on the debt instrument in all prior accrual periods, and decreased by any payments made during all prior accrual periods of amounts included in the stated redemption price at maturity of the debt instrument.

Special OID Considerations for the Subordinated Notes. As discussed above, the adjusted issue price of the Subordinated Notes is approximately $105 million less than the face amount. Absent the proposed exchange, the Subordinated Notes would have $105 million of OID to be accrued between now and maturity, attributable to the difference in the face amount and adjusted issue price of the original Subordinated Notes.

10. ***Applicable High Yield Interest Obligations***

Any interest or OID on the New PIK Notes generally would be deductible by the Debtors, unless the New PIK Notes are treated as applicable high yield discount obligations ("***AHYDOs***") within the meaning of section 163(e)(5) of the Tax Code. If the AHYDO rules apply, the Debtors may claim an interest deduction only up to the amount of OID that is paid. To the extent that the Debtors are denied a deduction for a portion of the interest or OID, that portion may be treated as a dividend to corporate holders of such notes, which may be entitled to a dividends-received deduction for such amount. In general, an AHYDO is any debt instrument with "significant original issue discount," a maturity date that is more than five years from the issue date and a yield to maturity that is at least five percentage points higher than the applicable federal rate on the issue date. The current applicable federal rate for November 2011 is 1.58% per annum and the interest rate on the New PIK Notes is 9%. For this purpose, OID is significant if, immediately before the close of any accrual period ending more than five years after issue, "the aggregate amount" that has been included "in gross income with respect to such instrument" will exceed the sum of (1) all interest paid on the instrument and (2) the product of the instrument's issue price and yield to maturity. For purposes of the latter test, it is assumed that each interest payment will be made on the last day permitted under the instrument. A payment in the form of stock or another obligation of the issuer or a related person is treated as made only when the stock or other obligation is required to be redeemed for cash or property other than stock and debt.

In addition, if notes are treated as AHYDOs, then the issuer may permanently be denied a deduction for a portion of the original issue discount on such notes and may claim an interest deduction as to the remainder of the original issue discount only when such portion is paid. To the extent that the issuer is denied a deduction for a portion of the original issue discount, that portion may be treated as a dividend, to the extent it is deemed to have been paid out of AMO's current or accumulated earnings and profits, to corporate holders of such notes, which may be entitled to a dividends-received deduction for such amount. If the portion of interest exceeds AMO's current and accumulated earnings and profits, the excess will continue to be subject to tax as ordinary OID income in accordance with the OID rules described above.

The determination of whether the AHYDO rules will apply is complex. It is not yet possible to determine whether the AHYDO rules will apply to the New PIK Notes. Moreover, since the applicable federal rate to likely to be different if and when additional New PIK Notes might be issued, it is impossible to determine how the AHYDO rules will apply to each such note, when issued. An exception to the AHYDO rules was provided in the American Recovery and Reinvestment Act of 2009, but currently it is uncertain whether the New PIK Notes will qualify for the exception.

11. ***Market Discount***

If a U.S. Holder acquired Term Facility, PIK Notes, Subordinated Notes, or the 2011 Notes after the original issuance, such debt instruments may have market discount. Subject to a de minimis threshold, market discount generally is the excess, if any, of the principal amount of the debt

instrument (or, in the case of a debt instrument issued with original issue discount, its adjusted issue price) over the cost of the debt instrument to its holder.

If a U.S. Holder has elected to include market discount in gross income currently, the market discount generally accrues as ordinary income on a constant yield method specified in Treasury Regulations, and the amount of market discount a U.S. Holder has included in income increases such U.S. Holder's adjusted tax basis in its debt instrument. If a U.S. Holder acquired a debt instrument at a market discount but has not made the election to include market discount in gross income as it accrued, any gain realized by such U.S. Holder on the disposition of the debt instrument pursuant to the Plan will be treated as ordinary income to the extent of the market discount that has accrued with respect to such debt instrument while such U.S. Holder held such debt instrument.

12. ***Backup Withholding for U.S. Holders***

In general, U.S. Holders (other than corporations and other exempt holders) will be subject to information reporting requirements with respect to dividends and other taxable distributions paid in respect of, and the proceeds from a sale, redemption or other disposition of, the New Common Stock or New Preferred Stock, if applicable. In addition, such U.S. Holders may be subject to backup withholding on such payments if such U.S. Holder (i) fails to provide an accurate taxpayer identification number to the payor; (ii) has been notified by the IRS of a failure to report all interest or dividends required to be shown on its U.S. federal income tax returns; or (iii) in certain circumstances, fails to comply with applicable certification requirements.

Any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against a U.S. Holder's U.S. federal income tax liability, provided that the required information is furnished to the IRS on a timely basis. A U.S. Holder should consult its tax advisors regarding the application of information reporting and backup withholding rules in their particular situations, the availability of an exemption therefrom, and the procedure for obtaining such an exemption, if applicable.

C. General U.S. Federal Income Tax Consequences to Non-U.S. Holders

The rules governing U.S. federal income taxation of a Non-U.S. Holder are complex. Each Non-U.S. Holder should consult with its own tax advisor to determine the effect of U.S. federal, state, local and foreign income tax laws, as well as treaties, with regard to its participation in the transactions contemplated by the Plan, and its ownership of Term Facility, Subordinated Notes, PIK Notes, 2011 Notes, New Common Stock, New Preferred Stock, New Second Lien Financing, or New PIK Notes.

1. ***Tax Consequences to Non-U.S. Holders of Plan***

A Non-U.S. Holder generally will not be subject to U.S. federal income tax with respect to property (including money) received in the Plan, unless (i) such Non-U.S. Holder is engaged in a trade or business in the United States to which income, gain or loss from the exchange is "effectively connected" for U.S. federal income tax purposes, or (ii) such Non-U.S. Holder is an individual and is present in the United States for 183 days or more during the taxable year of the exchange and certain other requirements are met. Nonetheless, a Non-U.S. Holder who is not eligible for the portfolio interest exception (see "Non-U.S. Holders of New Second Lien Financing") receiving consideration for accrued but unpaid interest may be subject to interest withholding.

(a) Tax Consequences of Non-U.S. Holders Under the Plan

A Non-U.S. Holder generally will not be subject to U.S. federal income tax with respect to property (including money) received in the Plan, unless (i) such Non-U.S. Holder is engaged in a trade or business in the United States to which income, gain or loss from the exchange is "effectively connected" for U.S. federal income tax purposes, or (ii) such Non-U.S. Holder is an individual and is present in the United States for 183 days or more during the taxable year of the exchange and certain other requirements are met. Nonetheless, a Non-U.S. Holder who is not eligible for the portfolio interest exception (see "Non-U.S. Holders of New Second Lien Financing") receiving consideration for accrued but unpaid interest may be subject to interest withholding.

(b) Non-U.S. Holders of New Common Stock or New Preferred Stock

If a Non-U.S. Holder receives New Common Stock or New Preferred Stock under the Plan, distributions of cash and property that AMI makes in respect of New Common Stock or New Preferred Stock will constitute dividends for U.S. federal income tax purposes to the extent of its current or accumulated earnings and profits (as determined under U.S. federal income tax principles). Distributions of cash and property that constitute dividends for U.S. federal income tax purposes generally will be subject to U.S. federal withholding at a 30% rate unless a reduced rate is prescribed by an applicable income tax treaty. If the amount of a distribution exceeds AMI's current and accumulated earnings and profits, such excess first will be treated as a return of capital to the extent of a Non-U.S. Holder's tax basis in the New Common Stock or New Preferred Stock and thereafter will be treated as gain from the disposition of such New Common Stock or New Preferred Stock, subject to tax as described below in "*Sale, Exchange or Disposition of New Common Stock, New Preferred Stock or New Second Lien Financing*."

In order to obtain a reduced rate of U.S. withholding tax under an applicable income tax treaty, a Non-U.S. Holder will be required to provide a properly executed IRS Form W-8BEN certifying its entitlement to benefits under the treaty. If a Non-U.S. Holder is eligible for a reduced rate of U.S. withholding tax under a treaty, the Non-U.S. Holder may obtain a refund or credit of any excess amounts withheld by filing an appropriate claim for a refund with the IRS. Each Non-U.S. Holder should consult its own tax advisor regarding its possible entitlement to benefits under a treaty.

The U.S. federal withholding tax described above will not apply to dividends paid to a Non-U.S. Holder if such dividends represent U.S. trade or business income for the Non-U.S. Holder and the Non-U.S. Holder provides a properly executed IRS Form W-8ECI certifying that the dividends are effectively connected with the Non-U.S. Holder's conduct of a trade or business within the U.S., as the dividends will be subject to tax.

(c) Non-U.S. Holders of New Second Lien Financing and New PIK Notes

Subject to the discussion below concerning backup withholding, payments of interest (including OID) on the the New Second Lien Financing and the New PIK Notes to a Non-U.S. Holder generally will not be subject to U.S. federal income tax or withholding tax, if the Non-U.S. Holder:

- does not own, actually or constructively, for U.S. federal income tax purposes, ten (10) percent or more of the total combined voting power of all classes of the voting stock of AMO;

- is not, for U.S. federal income tax purposes, a "controlled foreign corporation" related, directly or indirectly, to AMO through stock ownership under applicable rules of the Code;

- is not a bank receiving interest described in Section 881(c)(3)(A) of the Tax Code; and

- in each case, the certification requirement, as described below, is fulfilled with respect to the beneficial owner of the New Second Lien Financing and New PIK Notes.

The certification requirement referred to generally will be fulfilled if the Non-U.S. Holder provides to the Debtors or their paying agent an IRS Form W-8BEN (or successor form), signed under penalties of perjury, which includes the Non-U.S. Holder's name and address and a certification as to the Non-U.S. Holder's non-U.S. status. Other methods might be available to satisfy the certification requirements described above, depending on a Non-U.S. Holder's particular circumstances.

In general, the gross amount of payments of interest that do not qualify for the exception from withholding described above will be subject to U.S. withholding tax at a rate of thirty (30) percent unless (A) the Non-U.S. Holder provides a properly completed IRS Form W-8BEN (or successor form) claiming an exemption from or reduction in withholding under an applicable tax treaty, or (B) such interest is effectively connected with the Non-U.S. Holder's conduct of a U.S. trade or business and the Non-U.S. Holder provides a properly completed IRS Form W-8ECI (or successor form).

(d) Effectively Connected Income and Loss

If a Non-U.S. Holder is engaged in a trade or business in the U.S. and if interest (including OID) on the New Second Lien Financing or the New PIK Notes, dividends received in respect of New Common Stock or New Preferred Stock, or gain or loss realized on the disposition of New Common Stock, New Preferred Stock, New Second Lien Financing, or New PIK Notes are "effectively connected" with the conduct of such U.S. trade or business, any such interest, dividends, gain or loss realized by the Non-U.S. Holder will be subject to full net-basis U.S. federal income tax in the same manner as if the Non-U.S. Holder were a U.S. Holder, unless an applicable income tax treaty provides otherwise. In addition, if the Non-U.S. Holder is a foreign corporation, the Non-U.S. Holder may also be subject to a "branch profits tax" on earnings and profits effectively connected with such U.S. trade or business (subject to certain adjustments) at a rate of 30%, unless the branch profits tax is reduced or eliminated by an applicable income tax treaty. Even though any such effectively connected income would be subject to income tax, and might also be subject to branch profits tax, it would not be subject to withholding tax if the Non-U.S. Holder satisfied the applicable certification requirements described above. Non-U.S. Holders should discuss the applicability of the "effectively connected" rules with their tax advisors.

(e) Sale, Exchange or Disposition of New Common Stock, New Preferred Stock, New Second Lien Financing, Subordinated Notes or New PIK Notes

Subject to the discussion below concerning backup withholding, if a Non-U.S. Holder owns New Common Stock, New Preferred Stock, New Second Lien Financing or New PIK Notes, the Non-U.S. Holder generally will not be subject to U.S. federal income tax with respect to any gain or loss realized on the sale, exchange or other taxable disposition of such New Common Stock, New Preferred Stock, New Second Lien Financing, or New PIK Notes, unless:

a. the Non-U.S. Holder is an individual who is present in the U.S. for 183 days or more in the taxable year of disposition, and certain other conditions are met;

b. such gain is effectively connected with the Non-U.S. Holder's conduct of a trade or business in the U.S.

Any amounts in respect of accrued interest recognized on the sale or exchange of New Second Lien Financing or New PIK Notes will not be subject to U.S. federal withholding tax, unless the sale or exchange is part of a plan the principal purpose of which is to avoid tax and the withholding agent has actual knowledge or reason to know of such plan.

(f) Information Reporting and Backup Withholding

Unless certain exceptions apply, the Debtors must report annually to the IRS and to each Non-U.S. Holder any interest paid during the taxable year, as well as the amount of any dividends paid to the Non-U.S. Holder (whether such dividend income is subject to U.S. withholding tax or is exempt from such tax pursuant to an income tax treaty). Copies of these information returns may also be made available under the provisions of a specific treaty or other agreement to the tax authorities of the country in which a Non-U.S. Holder resides.

Under current U.S. federal income tax law, backup withholding tax will not apply to payments of dividends or interest by the Debtors or its paying agent if the Non-U.S. Holder provides a properly executed IRS Form W-8BEN (or successor form), or otherwise establishes its eligibility for an exemption, provided that the Debtors or their paying agent, as the case may be, does not have actual knowledge or reason to know that the payee Non-U.S. Holder is a U.S. person.

Withholding and backup withholding are not an additional taxes. Any amounts withheld from a payment to a Non-U.S. Holder under the withholding or backup withholding rules will be allowed as a credit against such Holder's U.S. federal income tax liability and may entitle the holder to a refund, provided that the holder furnishes the required information to the IRS. A Non-U.S. Holder should consult its tax advisor regarding the application of information reporting, withholding and backup withholding in such holder's particular situation, the availability of an exemption from backup withholding and the procedure for obtaining such an exemption, if available.

Under legislation recently enacted into law, certain payments made after December 31, 2012 to certain foreign entities (including foreign accounts or foreign intermediaries) would be subject to a 30% withholding tax unless various U.S. information reporting and due diligence requirements have been satisfied. Payments subject to such requirements include interest and dividends on (as applicable) and the gross proceeds from the sale or other disposition of New Common Stock, New Preferred Stock, New Second Lien Financing, and New PIK Notes. These requirements are different from, and in addition to, the withholding tax requirements described above. Non-U.S. Holders should consult their tax advisors concerning the application of this legislation to their particular circumstances.

X.

CONCLUSION

The Debtors believe the Plan is in the best interests of all creditors and urge the holders of impaired Claims in Classes 2, 5, 6 and 7 to vote to accept the Plan and to evidence such acceptance by returning their ballots so that they will be received by the Voting Agent no later than 5:00 P.M., Eastern time, on November 15, 2010.

Dated: October 30, 2010
New York, New York

American Media Operations, Inc.
American Media, Inc.
American Media Consumer Entertainment, Inc.
American Media Consumer Magazine Group, Inc.
American Media Distribution & Marketing Group, Inc.
American Media Mini Mags, Inc.
American Media Newspaper Group, Inc.
American Media Property Group, Inc.
Country Music Media Group, Inc.
Distribution Services, Inc.
Globe Communications Corp.
Globe Editorial, Inc.
Mira! Editorial, Inc.
National Enquirer, Inc.
National Examiner, Inc.
Star Editorial, Inc.
Weider Publications, LLC

By: _____
Name: Christopher Polimeni
Title: Executive Vice President, Chief Financial Officer and Treasurer

Exhibit A

Joint Prepackaged Plan of Reorganization

AKIN GUMP STRAUSS HAUER & FELD LLP
One Bryant Park
New York, New York 10036
Telephone: (212) 872-1000
Facsimile: (212) 872-1002
Ira S. Dizengoff
Arik Preis
Meredith A. Lahaie

Proposed Counsel to the Debtors and Debtors in Possession

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re:	)	Chapter 11
AMERICAN MEDIA, INC., *et al.*,[1]	)	Case No. 10-**[_____]** (__)
Debtors.	)	(Jointly Administered)

DEBTORS' JOINT PREPACKAGED PLAN OF
REORGANIZATION UNDER CHAPTER 11 OF THE BANKRUPTCY CODE

Dated: October 30, 2010

[1] The Debtors in these cases, along with the last four digits of each Debtor's federal tax identification number, are: American Media, Inc. (3383); American Media Operations, Inc. (4424); American Media Consumer Entertainment, Inc. (3852); American Media Consumer Magazine Group, Inc. (3863); American Media Distribution & Marketing Group, Inc. (3860); American Media Mini Mags, Inc. (3854); American Media Newspaper Group, Inc. (3864); American Media Property Group, Inc. (4153); Country Music Media Group, Inc. (2019); Distribution Services, Inc. (1185); Globe Communications Corp. (2593); Globe Editorial, Inc. (3859); Mira! Editorial, Inc. (3841); National Enquirer, Inc. (4097); National Examiner, Inc. (3855); Star Editorial, Inc. (9233); and Weider Publications, LLC (1848). The address for all Debtors is 1000 American Media Way, Boca Raton, FL, 33464.

TABLE OF CONTENTS

SECTION 1. DEFINITIONS AND INTERPRETATION 1
1.1 Definitions 1
1.2 Rules of Interpretation 10
1.3 Computation of Time 11
1.4 Governing Law 11
1.5 References to Monetary Figures 12
1.6 Reference to Debtors or Reorganized Debtors 12

SECTION 2. ADMINISTRATIVE EXPENSE AND PRIORITY CLAIMS 12
2.1 Administrative Expense Claims 12
2.2 Professional Compensation and Reimbursement Claims 12
2.3 Priority Tax Claims 12

SECTION 3. CLASSIFICATION OF CLAIMS AND INTERESTS 13

SECTION 4. TREATMENT OF CLAIMS AND INTERESTS 14
4.1 Priority Non-Tax Claims (Class 1) 14
4.2 Term Facility Claims (Class 2) 14
4.3 Revolver Claims (Class 3) 15
4.4 Other Secured Claims (Class 4) 15
4.5 PIK Notes Claims (Class 5) 15
4.6 Subordinated Notes Claims (Class 6) 16
4.7 2011 Notes Claims (Class 7) 16
4.8 General Unsecured Claims (Class 8) 16
4.9 Intercompany Claims (Class 9) 17
4.10 Interests in AMI (Class 10) 17

SECTION 5. MEANS FOR IMPLEMENTATION 17
5.1 Substantive Consolidation of Debtors for Plan Purposes Only 17
5.2 Corporate Action 18
5.3 Distribution of New Second Lien Financing 20
5.4 Offer to Purchase New Second Lien Notes 20
5.5 Issuance of New Common Stock and New Preferred Stock, if Applicable 21
5.6 Merger/Dissolution/Consolidation 22
5.7 Cancellation of Existing Securities and Agreements 22
5.8 Surrender of Existing Securities 22
5.9 Equity Incentive Plan 22
5.10 Director Severance Plan. 22
5.11 22
Cancellation of Liens. 22
5.12 Compromise of Controversies 23
5.13 Stockholders Agreement 23
5.14 Listing of New Common Stock and Transfer Restrictions. 23
5.15 Exemption from Securities Laws 23
5.16 Exemption from Transfer Taxes 24

5.17 D&O Insurance Policy 24

SECTION 6. DISTRIBUTIONS 25
6.1 Voting of Claims 25
6.2 Cramdown and No Unfair Discrimination 25
6.3 Distribution Record Date 25
6.4 Date of Distributions 25
6.5 Sources of Cash for Distributions 26
6.6 Disbursement Agent 26
6.7 Rights and Powers of the Disbursement Agent 26
6.8 Expenses of the Disbursement Agent 26
6.9 Delivery of Distributions 26
6.10 Manner of Payment Under Plan 27
6.11 No Fractional Shares of New Common Stock or New Preferred Stock, if Any 28
6.12 Setoffs and Recoupment 28
6.13 Distributions After Effective Date 28
6.14 Cash Distributions 28
6.15 Allocation of Distributions Between Principal and Interest 28
6.16 No Postpetition Interest on Claims 28

SECTION 7. PROCEDURES FOR DISPUTED CLAIMS 29
7.1 Disputed Claims/Process 29
7.2 Objections to Claims 29
7.3 Estimation of Claims 29
7.4 No Distributions Pending Allowance 29
7.5 Distributions After Allowance 30
7.6 Preservation of Claims and Rights to Settle Claims 30

SECTION 8. EXECUTORY CONTRACTS AND UNEXPIRED LEASES 30
8.1 Assumption and Rejection of Contracts and Leases 30
8.2 Cure of Defaults 31
8.3 Rejection Claims 31
8.4 Survival of the Debtors' Indemnification Obligations 31
8.5 Survival of Management Agreements and Other Employment Arrangements 31
8.6 Insurance Policies 32

SECTION 9. CONDITIONS PRECEDENT TO THE EFFECTIVE DATE 32
9.1 Conditions Precedent to the Effective Date 32
9.2 Waiver of Conditions Precedent 33
9.3 Effect of Failure of Conditions 33

SECTION 10. EFFECT OF CONFIRMATION 33
10.1 Vesting of Assets 33
10.2 Binding Effect 33
10.3 Discharge of the Debtors 34
10.4 Exculpation 34
10.5 Term of Injunctions or Stays 34

10.6 Injunction Against Interference with Plan 35
10.7 Releases by the Debtors 35
10.8 Releases by the Holders of Claims and Interests 35
10.9 Preservation of Claims 36
10.10 Reservation of Rights 36
10.11 Plan Supplement 36
10.12 Plan Financing Supplement 37

SECTION 11. RETENTION OF JURISDICTION 37

SECTION 12. MISCELLANEOUS PROVISIONS 38
12.1 Payment of Statutory Fees 38
12.2 Payment of Indenture Trustee Fee Claims 38
12.3 Dissolution of Statutory Committees and Cessation of Fee and Expense Payment 39
12.4 Substantial Consummation 39
12.5 Determination of Tax Filings and Taxes 39
12.6 Amendments 39
12.7 Effectuating Documents and Further Transactions 39
12.8 Revocation or Withdrawal of the Plan 39
12.9 Severability 40
12.10 Schedules and Exhibits Incorporated 40
12.11 Solicitation of the Plan 40
12.12 Governing Law 40
12.13 Compliance with Tax Requirements 41
12.14 Conflict between Plan, Disclosure Statement and Plan Supplement Documents 41
12.15 Notices 42

American Media, Inc., American Media Operations, Inc. and the Debtor Subsidiaries[2] in the above-captioned Chapter 11 Cases propose this joint prepackaged plan of reorganization (the "***Plan***") pursuant to section 1121(a) of title 11 of the Bankruptcy Code.

Holders of Claims against and Interests in the Debtors may refer to the Disclosure Statement for a discussion of the Debtors' history, businesses, assets, results of operations, historical financial information and forecasts of future operations, as well as a summary of the Plan.

SECTION 1. DEFINITIONS AND INTERPRETATION

1.1 Definitions.

The following terms used herein shall have the respective meanings defined below (such meanings to be equally applicable to both the singular and plural):

1. ***2009 Credit Agreement*** means that certain Amended and Restated Credit Agreement dated as of January 30, 2006, as amended and restated as of December 31, 2008 and as may be further amended from time to time, among AMI, AMO, the Administrative Agent and the other parties thereto.

2. ***2011 Notes*** means the 8 7/8% notes issued by AMO pursuant to the 2011 Notes Indenture.

3. ***2011 Notes Claims*** means any Claim arising under the 2011 Notes Indenture.

4. ***2011 Notes Indenture*** means that certain Indenture dated as of January 23, 2003 among AMO, the 2011 Notes Indenture Trustee and other parties thereto, as well as any guarantees and other documents entered in connection therewith, as may be amended from time to time.

5. ***2011 Notes Indenture Trustee*** means HSBC Bank USA, National Association and/or its duly appointed successor, in its capacity as indenture trustee under the 2011 Notes Indenture.

6. ***Additional Shares*** has the meaning ascribed to it in Section 5.4.

7. ***Administrative Agent*** means JPMorgan Chase Bank, N.A.

8. ***Administrative Expense Claim*** means any right to payment constituting a cost or expense of administration of any of the Chapter 11 Cases Allowed under and in accordance with, as applicable, Bankruptcy Code sections 330, 503(b), 507(a)(2) and 507(b), including, without limitation, (a) any actual and necessary costs and expenses of preserving the Debtors' Estates or operating the Debtors' businesses, (b) any indebtedness or obligations incurred or assumed by the Debtors, as debtors in possession, during the Chapter 11 Cases, (c) any compensation for professional services rendered and reimbursement of expenses incurred by a professional

[2] Capitalized terms used herein shall have the meanings ascribed to them in Section 1.1.

retained by order of the Bankruptcy Court or otherwise allowed pursuant to Bankruptcy Code section 503(b), and (d) the Indenture Trustee Fee Claims.

9. ***Affiliate*** has the meaning set forth in Bankruptcy Code section 101(2).

10. ***Allowed*** means, with reference to any Claim, (a) any Claim arising on or before the Effective Date (i) as to which no objection to allowance has been interposed in accordance with Section 7.2 hereof or (ii) as to which any objection has been determined by a Final Order to the extent such objection is determined in favor of the respective Holder, (b) any Claim as to which the liability of the Debtors and the amount thereof are determined by a Final Order of a court of competent jurisdiction other than the Bankruptcy Court or (c) any Claim expressly Allowed hereunder.

11. ***AMI*** means American Media, Inc., a Delaware corporation.

12. ***AMO*** means American Media Operations, Inc., a Delaware corporation.

13. ***Angelo Gordon*** means Angelo Gordon & Co., L.P., along with its affiliates and subsidiaries.

14. ***Avenue*** means Avenue Capital Group, along with its affiliates and subsidiaries.

15. ***Backstop Agreement*** means that certain agreement dated as of October 30, 2010 among the Backstop Parties, AMI and AMO.

16. ***Backstop Commitment*** has the meaning ascribed to it in Section 5.4.

17. ***Backstop Parties*** means Avenue, Angelo Gordon and any other Holder of Subordinated Notes that is a party to the Backstop Agreement.

18. ***Backstop Percentage Interest*** has the meaning ascribed to it in Section 5.4.

19. ***Backstop Shares*** has the meaning ascribed to it in Section 5.4.

20. ***Bankruptcy Code*** means title 11 of the United States Code, as amended from time to time.

21. ***Bankruptcy Court*** means the United States Bankruptcy Court for the Southern District of New York having jurisdiction over the Chapter 11 Cases and, to the extent of the withdrawal of any reference under 28 U.S.C. § 157 and/or the order of the United States District Court for the Southern District of New York, the United States District Court for the Southern District of New York.

22. ***Bankruptcy Rules*** means the Federal Rules of Bankruptcy Procedure, as applicable to the Chapter 11 Cases, promulgated under section 2075 of the Judicial Code, as well as the general, local and chambers rules of the Bankruptcy Court.

23. ***Business Day*** means any day, other than a Saturday, Sunday or "legal holiday" (as defined in Bankruptcy Rule 9006(a)).

24. ***Cash*** means legal tender of the United States of America.

25. ***Chapter 11 Cases*** means (a) when used with reference to a particular Debtor, the chapter 11 case pending for that Debtor under chapter 11 of the Bankruptcy Code in the Bankruptcy Court and (b) when used with reference to all Debtors, the procedurally consolidated chapter 11 cases pending for the Debtors in the Bankruptcy Court under Case No. 10- [ ].

26. ***Claim*** has the meaning set forth in Bankruptcy Code section 101(5).

27. ***Class*** means any group of substantially similar Claims or Interests classified by the Plan pursuant to Bankruptcy Code sections 1122 and 1123(a)(1).

28. ***Class 6 Distribution Pool*** means the pool of New Common Stock representing 98% of all New Common Stock outstanding on the Effective Date (which represents the *pro rata* portion that Class 6 represents of the aggregate amount of Allowed Claims in Class 6 and Class 7), subject to dilution for the Equity Incentive Plan and the Backstop Shares (provided, however, that no Backstop Party's share of the Class 6 Distribution Pool shall be diluted by the Backstop Shares), from which distributions shall be made to the Holders of Allowed Subordinated Notes Claims.

29. ***Class 7 Distribution Pool*** means the pool of New Common Stock representing 2% of all New Common Stock outstanding on the Effective Date (which represents the *pro rata* portion that Class 7 represents of the aggregate amount of Allowed Claims in Class 6 and Class 7), subject to dilution for the Equity Incentive Plan and the Backstop Shares (provided, however, that no Backstop Party's share of the Class 7 Distribution Pool shall be diluted by the Backstop Shares), from which distributions shall be made to the Holders of Allowed 2011 Notes Claims.

30. ***Collateral*** means any property or interest in property of the Estate of any Debtor subject to a lien, charge or other encumbrance to secure the payment or performance of a Claim, which lien, charge or other encumbrance is neither subject to avoidance nor otherwise invalid under the Bankruptcy Code or applicable state law.

31. ***Committee*** means that certain ad hoc committee comprised of certain Holders of Subordinated Notes and PIK Notes.

32. ***Confirmation Date*** means the date on which the Bankruptcy Court enters the Confirmation Order on the docket of the Chapter 11 Cases within the meaning of Bankruptcy Rules 5003 and 9021.

33. ***Confirmation Hearing*** means the hearing to be held by the Bankruptcy Court regarding confirmation of the Plan, as such hearing may be adjourned or continued from time to time.

34. ***Confirmation Order*** means the order of the Bankruptcy Court confirming the Plan pursuant to Bankruptcy Code section 1129.

35. ***Consummation*** means the occurrence of the Effective Date.

36. ***D&O Insurance Policy*** shall be as described in Section 5.17.

37. ***Debtors*** means AMI, AMO and their Debtor Subsidiaries.

38. ***Debtor Subsidiaries*** means any of American Media Consumer Entertainment, Inc.; American Media Consumer Magazine Group, Inc.; American Media Distribution & Marketing Group, Inc.; American Media Mini Mags, Inc.; American Media Newspaper Group, Inc.; American Media Property Group, Inc.; Country Music Media Group, Inc.; Distribution Services, Inc.; Globe Communications Corp.; Globe Editorial, Inc.; Mira! Editorial, Inc.; National Enquirer, Inc.; National Examiner, Inc.; Star Editorial, Inc.; and Weider Publications, LLC.

39. ***Director Severance Plan*** shall be as described in Section 5.10.

40. ***Disbursement Agent*** means any Entity (including any applicable Debtor if it acts in such capacity) in its capacity as a Disbursement Agent under Sections 6.6, 6.7, and 6.9 hereof.

41. ***Disclosure Statement*** means that certain *Disclosure Statement Relating to the Debtors' Joint Prepackaged Plan of Reorganization Under Chapter 11 of the Bankruptcy Code*, dated October 30, 2010, including, without limitation, all exhibits and schedules thereto and references therein, as the same may be amended, supplemented or otherwise modified from time to time.

42. ***Disputed*** means, with respect to any Claim or Interest, any Claim or Interest that is not yet Allowed. A Claim or Administrative Expense Claim that is Disputed as to its amount shall not be Allowed in any amount for purposes of distribution until it is no longer a Disputed Claim.

43. ***Distribution Record Date*** means the record date for purposes of making distributions under the Plan on account of Allowed Claims, which date shall be the Effective Date.

44. ***Effective Date*** means the Business Day on or after the Confirmation Date specified by the Debtors on which (a) no stay of the Confirmation Order is in effect and (b) the conditions to the effectiveness of the Plan specified in Section 9 hereof have been satisfied or waived.

45. ***Entity*** means an entity as such term is defined in Bankruptcy Code section 101(15).

46. ***Equity Incentive Plan*** has the meaning ascribed to it in Section 5.9.

47. ***Escrow Issuer*** means AMO Escrow Corporation, a new non-Debtor Delaware company.

48. ***Escrow Motion*** has the meaning ascribed to it in Section 5.2(e).

49. ***Estate*** means, as to each Debtor, the estate created for such Debtor in its Chapter 11 Case pursuant to Bankruptcy Code section 541.

50. ***Final Order*** means an order or judgment of a court of competent jurisdiction that has been entered on the docket maintained by the clerk of such court that has not been reversed, vacated or stayed and as to which (a) the time to appeal, petition for certiorari or move for a stay, new trial, reargument or rehearing has expired and as to which no appeal, petition for certiorari or other proceedings for a stay, new trial, reargument or rehearing shall then be pending or (b) if an appeal, writ of certiorari, stay, new trial, reargument or rehearing thereof has been sought, (i) such order or judgment shall have been affirmed by the highest court to which such order was appealed, certiorari shall have been denied, or a stay, new trial, reargument or rehearing shall have been denied or resulted in no modification of such order, and (ii) the time to take any further appeal, petition for certiorari or move for a stay, new trial, reargument or rehearing shall have expired; *provided, however*, that the possibility that a motion pursuant to Bankruptcy Code section 502(j) or 1144 or under Rule 60 of the Federal Rules of Civil Procedure, or any analogous rule under the Bankruptcy Rules, may be filed relating to such order shall not cause such order to not be a "Final Order."

51. ***General Unsecured Claims*** means any Claim against any of the Debtors that (a) is not an Administrative Expense Claim, Priority Tax Claim, Priority Non-Tax Claim, Term Facility Claim, Revolver Claim, Other Secured Claim, PIK Notes Claim, Subordinated Notes Claim, 2011 Notes Claim, or Intercompany Claim or (b) is otherwise determined by the Bankruptcy Court to be a General Unsecured Claim.

52. ***Holder*** means any Person or Entity holding a Claim or an Interest.

53. ***Indenture Trustees*** means, collectively, the PIK Notes Indenture Trustee, the Subordinated Notes Indenture Trustee, and the 2011 Notes Indenture Trustee.

54. ***Indenture Trustee Fee Claims*** means the reasonable fees, costs and expenses incurred by the Indenture Trustees in the performance of their duties and as provided under the PIK Notes Indenture, the Subordinated Notes Indenture and the 2011 Notes Indenture (including the reasonable fees, costs, and expenses incurred by the Indenture Trustees' professionals) prior to the Effective Date (to the extent not paid as of the Effective Date).

55. ***Initial Percentage Ownership*** means, with respect to any Backstop Party, the fraction, expressed as a percentage, the numerator of which is the total number of shares of New Common Stock held by such Backstop Party and the denominator of which is the total number of shares of New Common Stock issued and outstanding held by all stockholders of Reorganized AMI, in each case, immediately after the Effective Date but excluding the issuance of any Initial Shares or Additional Shares.

56. ***Initial Shares*** has the meaning ascribed to it in Section 5.4.

57. ***Insurance Amount*** has the meaning ascribed to it in Section 5.17.

58. ***Intercompany Claims*** means any Claim held by (i) a Debtor against another Debtor or (ii) a non-Debtor subsidiary against a Debtor.

59. ***Intercreditor Agreements*** means the following agreements: (i) that certain agreement to be entered into between the Reorganized Debtors, the New First Lien Holders, and the New Second Lien Holders (or their respective agents); and (ii) that certain agreement to be entered into between the Reorganized Debtors, the New Revolver Facility Lenders and the New First Lien Holders (or their respective agents), each to be dated as of the Effective Date.

60. ***Interests*** means any equity security in a Debtor as defined in Bankruptcy Code section 101(16), including all issued, unissued, authorized or outstanding shares of capital stock of the Debtors together with any warrants, options or contractual rights to purchase or acquire such equity securities at any time and all rights arising with respect thereto, including, without limitation, rights to purchase restricted stock or interests.

61. ***Management Agreements*** means the employment agreements with existing members of management.

62. ***New Boards*** means each board of directors appointed pursuant to Section 5.2(c) of the Plan.

63. ***New Common Stock*** means that number of common shares in the capital of Reorganized AMI authorized for issuance in accordance with the terms hereof on the Effective Date.

64. ***New First Lien Financing*** means the new first lien secured financing evidenced by the New First Lien Notes.

65. ***New First Lien Holders*** means the holders of the New First Lien Notes.

66. ***New First Lien Indenture*** means that certain Indenture, pursuant to which the New First Lien Notes are to be originally issued by Escrow Issuer prior to the Effective Date, the material terms of which will be filed in the Plan Financing Supplement, and a draft of which, in substantially final form, will be included in the Plan Supplement.

67. ***New First Lien Notes*** means those certain notes, in an aggregate principal amount of up to approximately $385 million, to be issued pursuant to the New First Lien Indenture.

68. ***New First Lien Notes Offering*** means that certain notes offering to raise the New First Lien Financing.

69. ***New LLC*** means that newly established non-Debtor Delaware company.

70. ***New PIK Notes*** means, if any, the notes issued pursuant to the New PIK Notes Indenture.

71. ***New PIK Notes Indenture*** means that certain Indenture, to be dated as of the Effective Date, pursuant to which the New PIK Notes (if any) are to be issued, the material terms of which will be filed in the Plan Financing Supplement, and a draft of which, in substantially final form, will be filed as part of the Plan Supplement, in either case only if the Debtors elect to issue New PIK Notes to Holders of PIK Notes Claims.

72. ***New Preferred Stock*** means, if any, that number of preferred shares in the capital of Reorganized AMI authorized for issuance in accordance with the terms hereof on the Effective Date, with the terms and conditions to be set forth in the New Preferred Stock Certificate of Designation.

73. ***New Preferred Stock Certificate of Designation*** means that certain certificate of designation setting forth the terms and conditions of the New Preferred Stock, if any, a draft of which, in substantially final form, will be included in the Plan Supplement, if the Debtors elect to issue New Preferred Stock to Holders of PIK Notes Claims.

74. ***New Revolver Facility*** means the revolver facility of approximately $40 million of aggregate commitments entered into pursuant to that certain New Revolver Facility Credit Agreement.

75. ***New Revolver Facility Credit Agreement*** means the first lien revolving credit facility agreement, to be dated as of the Effective Date, a draft of which, in substantially final form, will be filed as part of the Plan Supplement.

76. ***New Revolver Facility Lenders*** means the lenders party to the New Revolver Facility Credit Agreement.

77. ***New Second Lien Financing*** means the new second lien secured financing evidenced by the New Second Lien Notes.

78. ***New Second Lien Holders*** means the holders of the New Second Lien Notes.

79. ***New Second Lien Indenture*** means that certain Indenture, pursuant to which the New Second Lien Notes are to be originally issued by Escrow Issuer prior to the Effective Date, the material terms of which will be filed in the Plan Financing Supplement, and a draft of which, in substantially final form, will be included in the Plan Supplement.

80. ***New Second Lien Notes*** means those certain notes, in an aggregate principal amount of up to approximately $140 million, to be issued pursuant to the New Second Lien Indenture.

81. ***New Second Lien Notes Offering*** means that certain notes offering to raise New Second Lien Financing.

82. ***Notes Claims*** means, collectively, the 2011 Notes Claims, the Subordinated Notes Claims and the PIK Notes Claims.

83. ***Other Secured Claims*** means a Secured Claim other than a Term Facility Claim or a Revolver Claim.

84. ***Person*** has the meaning set forth in Bankruptcy Code section 101(41).

85. ***Petition Date*** means that date on which each of the respective Debtors commenced its Chapter 11 Case.

86. ***PIK Notes*** means the unsecured 9% senior PIK notes due 2013, issued pursuant to the PIK Notes Indenture.

87. ***PIK Notes Claims*** means any Claim arising under the PIK Notes Indenture.

88. ***PIK Notes Indenture*** means that certain Indenture dated as of January 20, 2009 among AMO, the PIK Notes Indenture Trustee and other parties thereto, as may be amended from time to time.

89. ***PIK Notes Indenture Trustee*** means Wilmington Trust FSB and/or its duly appointed successor, in its capacity as indenture trustee under the PIK Notes Indenture.

90. ***Plan*** means this joint prepackaged plan of reorganization, including the exhibits and schedules hereto and contained in the Plan Supplement and Plan Financing Supplement, as the same may be amended or modified from time to time in accordance with the provisions of the Bankruptcy Code.

91. ***Plan Financing Supplement*** means a supplemental appendix to the Plan, to be filed with the Bankruptcy Court on the Petition Date, or as soon thereafter as is practicable, that will contain the material terms of the New First Lien Indenture, the New Second Lien Indenture, and the New PIK Notes Indenture, if any.

92. ***Plan Supplement*** means a supplemental appendix to the Plan, to be filed with the Bankruptcy Court prior to the Confirmation Hearing, that will contain the draft forms of the Plan Supplement Documents to be entered into as of the Effective Date.

93. ***Plan Supplement Documents*** means the documents to be executed, delivered, assumed and/or performed in conjunction with the consummation of the Plan on the Effective Date including, but not limited to, the Restated Bylaws, the Restated Certificate of Incorporation, the Equity Incentive Plan, the Director Severance Plan, the Intercreditor Agreements, the New Revolver Facility Credit Agreement, the New First Lien Indenture, the New Second Lien Indenture, any documents to be executed by the Escrow Issuer in connection with the New First Lien Notes Offering and New Second Lien Notes Offering, the Stockholders Agreement, and, to the extent applicable, the New PIK Notes Indenture and the New Preferred Stock Certificate of Designation. Except as otherwise provided herein, the Plan Supplement Documents must be reasonably acceptable to the Committee. Each of the Plan Supplement Documents to be entered into as of the Effective Date will be filed in draft form in the Plan Supplement.

94. ***Priority Non-Tax Claims*** means any Claim against any of the Debtors, other than an Administrative Expense Claim or a Priority Tax Claim, entitled to priority in payment as specified in Bankruptcy Code sections 507(a)(3), (4), (5), (6), (7) or (9).

95. ***Priority Tax Claims*** means any Claim of a governmental unit of the kind entitled to priority in payment as specified in Bankruptcy Code sections 502(i) and 507(a)(8).

96. ***pro rata*** means the proportion that (a) an Allowed Claim in a particular Class bears to the aggregate amount of Allowed Claims in that Class, or (b) Allowed Claims in a

particular Class bear to the aggregate amount of Allowed Claims in a particular Class and other Classes entitled to share in the same recovery as such Allowed Claim under the Plan.

97. ***Released Parties*** means (i) the Debtors and Reorganized Debtors; (ii) any direct or indirect shareholder of the Debtors, and such shareholder's respective directors, officers, partners, members, representatives, employees, professional advisors, sub-advisors, managers, affiliated management companies and managing and executive directors; (iii) the current and former (in each case, as of the Effective Date) directors, officers, and employees, professional advisors, sub-advisors, managers, affiliated management companies, and managing and executive directors of the Debtors; (iv) the members of the Committee and their respective directors, officers, partners, members, representatives, employees, professional advisors, sub-advisors, managers, and managing and executive directors; (v) the Indenture Trustees; (vi) the Term Facility Lenders, the Revolver Lenders and the Administrative Agent and their respective directors, officers, partners, members, representatives, employees, and professional advisors; (vii) the New First Lien Holders and the indenture trustee under the New First Lien Indenture and their respective directors, officers, partners, members, representatives, employees and professional advisors; (viii) the New Second Lien Holders and the indenture trustee under the New Second Lien Indenture and their respective directors, officers, partners, members, representatives, employees and professional advisors; (ix) the New Revolver Facility Lenders and the New Revolver Facility administrative agent and their respective directors, officers, partners, members, representatives, employees and professional advisors; (x) the Backstop Parties, and their respective directors, officers, partners, members, representatives, employees, and professional advisors; (xi) the indenture trustee under the New PIK Notes Indenture and the holders of the New PIK Notes, if any, and their respective directors, officers, partners, members, representatives, employees and professional advisors; (xii) Holders of New Common Stock and such Holder's respective directors, officers, partners, members, representatives, employees, professional advisors, sub-advisors, managers, affiliated management companies and managing and executive directors; and (xiii) Holders of the New Preferred Stock, if any, and such Holder's respective directors, officers, partners, members, representatives, employees, professional advisors, sub-advisors, managers, affiliated management companies and managing and executive directors.

98. ***Reorganized*** means, with respect to the Debtors, any Debtors or any successor(s) thereto, by merger, consolidation or otherwise, on or after the Effective Date.

99. ***Restated Bylaws*** means the amended and restated bylaws to be adopted by AMI upon the Effective Date, substantially in the form to be included in the Plan Supplement.

100. ***Restated Certificate of Incorporation*** means the amended and restated certificate of incorporation to be adopted by AMI and filed with the Secretary of State of Delaware prior to or on the Effective Date, substantially in the form to be included in the Plan Supplement.

101. ***Revolver Claims*** means any Claim arising under the revolving facility pursuant to the 2009 Credit Agreement.

102. ***Revolver Lenders*** means the lenders under the revolving facility pursuant to the 2009 Credit Agreement.

103. ***Secured Claims*** means a Claim to the extent (a) secured by a lien on Collateral, to the extent of the value of such Collateral (i) as set forth in the Plan, or (ii) as determined by a Final Order in accordance with Bankruptcy Code section 506(a), or (b) secured by the amount of any rights of setoff of the Holder thereof under Bankruptcy Code section 553.

104. ***Securities Act*** means the Securities Act of 1933, as amended, and all rules and regulations promulgated thereunder.

105. ***Stockholders Agreement*** means the agreement between creditors who receive New Common Stock pursuant to the Plan, substantially in the form to be included in the Plan Supplement.

106. ***Subordinated Notes*** means the unsecured 14% senior subordinated notes due 2013 issued by AMO pursuant to the Subordinated Notes Indenture.

107. ***Subordinated Notes Claims*** means any Claim arising from the Subordinated Notes Indenture.

108. ***Subordinated Notes Indenture*** means that certain Indenture dated as of January 30, 2009 among AMO, the Subordinated Notes Indenture Trustee and other parties thereto, as well as any guarantees and other documents entered in connection therewith, as may be amended from time to time.

109. ***Subordinated Notes Indenture Trustee*** means Wilmington Trust FSB and/or its duly appointed successor, in its capacity as indenture trustee under the Subordinated Notes Indenture.

110. ***Tax Code*** means the Internal Revenue Code of 1986, as amended from time to time, and the Treasury regulations promulgated thereunder.

111. ***Term Facility*** means the amount outstanding of the term loan commitment under the 2009 Credit Agreement.

112. ***Term Facility Claims*** means any Claim arising under the Term Facility, which shall include, without limitation, any and all obligations of the Debtors under the Term Facility due and owing on the Effective Date.

113. ***Term Facility Lenders*** means the lenders under the Term Facility.

114. ***U.S. Trustee*** means the United States Trustee for the Southern District of New York.

1.2 Rules of Interpretation.

For purposes of the Plan: (1) in the appropriate context, each term, whether stated in the singular or the plural, shall include both the singular and the plural, and pronouns stated in the masculine, feminine or neuter gender shall include the masculine, feminine and the neuter gender; (2) any reference herein to a contract, lease, instrument, release, indenture or other

agreement or document being in a particular form or on particular terms and conditions means that the referenced document shall be substantially in that form or substantially on those terms and conditions; (3) any reference herein to an existing document, schedule or exhibit, whether or not filed, having been filed or to be filed shall mean that document, schedule or exhibit, as it may thereafter be amended, modified or supplemented; (4) any reference to an Entity as a Holder of a Claim or Interest includes that Entity's successors and assigns; (5) unless otherwise specified, all references herein to "Sections" are references to Sections hereof or hereto; (6) unless otherwise specified, all references herein to exhibits are references to exhibits in the Plan Supplement or the Plan Financing Supplement; (7) unless otherwise specified, the words "herein," "hereof" and "hereto" refer to the Plan in its entirety rather than to a particular portion of the Plan; (8) subject to the provisions of any contract, certificate of incorporation, bylaw, instrument, release or other agreement or document entered into in connection with the Plan, the rights and obligations arising pursuant to the Plan shall be governed by and construed and enforced in accordance with the applicable federal law, including the Bankruptcy Code and Bankruptcy Rules; (9) captions and headings to Sections are inserted for convenience of reference only and are not intended to be a part of or to affect the interpretation of the Plan; (10) unless otherwise specified herein, the rules of construction set forth in Bankruptcy Code section 102 shall apply; (11) all references to docket numbers of documents filed in the Chapter 11 Cases are references to the docket numbers under the Bankruptcy Court's CM/ECF system; (12) all references to statutes, regulations, orders, rules of courts and the like shall mean as amended from time to time, and as applicable to the Chapter 11 Cases, unless otherwise stated; (13) any immaterial effectuating provisions may be interpreted by the Reorganized Debtors in such a manner that is consistent with the overall purpose and intent of the Plan, all without further Bankruptcy Court order; and (14) any reference to a document or any action to be approved or performed by the Committee shall, except as otherwise provided herein, mean the approval of the members of the Committee holding two-thirds in principal amount of the Subordinated Notes Claims held by the Committee.

1.3 Computation of Time.

Unless otherwise specifically stated herein, the provisions of Bankruptcy Rule 9006(a) shall apply in computing any period of time prescribed or allowed herein.

1.4 Governing Law.

Unless a rule of law or procedure is supplied by federal law (including the Bankruptcy Code and Bankruptcy Rules) or unless otherwise specifically stated, the laws of the State of New York, without giving effect to the principles of conflict of laws, shall govern the rights, obligations, construction and implementation of the Plan, any agreements, documents, instruments or contracts executed or entered into in connection with the Plan (except as otherwise set forth in those agreements, in which case the governing law of such agreement shall control); *provided, however,* that corporate governance matters relating to the Debtors or the Reorganized Debtors, as applicable, not incorporated in New York shall be governed by the laws of the state of incorporation of the applicable Debtor or Reorganized Debtor, as applicable.

1.5 References to Monetary Figures.

All references in the Plan to monetary figures shall refer to currency of the United States of America, unless otherwise expressly provided.

1.6 Reference to Debtors or Reorganized Debtors.

Except as otherwise specifically provided in the Plan to the contrary, references in the Plan to the Debtors or to the Reorganized Debtors shall mean the Debtors and the Reorganized Debtors, as applicable, to the extent the context requires.

SECTION 2. ADMINISTRATIVE EXPENSE AND PRIORITY CLAIMS

2.1 Administrative Expense Claims.

Except with respect to Administrative Expense Claims that are for professional compensation and except to the extent that a Holder of an Allowed Administrative Expense Claim and the applicable Debtor(s) agree to less favorable treatment with respect to such Claim, each Holder of an Allowed Administrative Expense Claim shall, in full satisfaction, release, and discharge of such Allowed Administrative Expense Claim, be paid in full, in Cash, on the latest of: (a) on or as soon as reasonably practicable after the Effective Date; (b) on or as soon as reasonably practicable after the date such Administrative Expense Claim is Allowed; and (c) the date such Allowed Administrative Expense Claim becomes due and payable, or as soon thereafter as is practicable; *provided, however*, that Allowed Administrative Expense Claims that arise in the ordinary course of the Debtors' businesses shall be paid in full in the ordinary course of business in accordance with the terms and subject to the conditions of any agreements governing, instruments evidencing or other documents relating to, such transactions.

2.2 Professional Compensation and Reimbursement Claims.

Except as provided in Section 2.1 hereof, all entities seeking awards by the Bankruptcy Court of compensation for services rendered or reimbursement of expenses incurred through and including the Confirmation Date under Bankruptcy Code sections 330, 331, 503(b)(2), 503(b)(3), 503(b)(4) or 503(b)(5) shall (a) file, on or before the date that is forty-five (45) days after the Effective Date, their respective applications for final allowances of compensation for services rendered and reimbursement of expenses incurred, and (b) be paid in full, in Cash, in such amounts as are Allowed by the Bankruptcy Court in accordance with the order relating to or Allowing any such Administrative Expense Claim. The Reorganized Debtors are authorized to pay compensation for professional services rendered and reimbursement of expenses incurred after the Confirmation Date in the ordinary course and without the need for Bankruptcy Court approval. The Reorganized Debtors shall pay all reasonable fees, costs and expenses of the Committee's counsel incurred through and including the Confirmation Date without the need for approval by the Bankruptcy Court.

2.3 Priority Tax Claims.

Except to the extent that a Holder of an Allowed Priority Tax Claim agrees to different treatment, each Holder of an Allowed Priority Tax Claim shall, in full satisfaction,

release and discharge of such Allowed Priority Tax Claim, (a) to the extent such Claim is due and owing on the Effective Date, be paid in full, in Cash, on the Effective Date, or (b) to the extent such Claim is not due and owing on the Effective Date, be paid in full, in Cash, in accordance with the terms of any agreement between the Debtors and such Holder, or as may be due and owing under applicable nonbankruptcy law, or in the ordinary course of business.

SECTION 3. CLASSIFICATION OF CLAIMS AND INTERESTS

Pursuant to Bankruptcy Code section 1122, set forth below is a designation of Classes of Claims against and Interests in the Debtors. All Claims and Interests, except for Administrative Expense Claims and Priority Tax Claims, are classified in the Classes set forth in this Section 3. A Claim or Interest is classified in a particular Class only to the extent that the Claim or Interest qualifies within the description of that Class, and is classified in other Classes to the extent that any portion of the Claim or Interest qualifies within the description of such other Classes. A Claim is also classified in a particular Class for the purpose of receiving distributions pursuant to the Plan only to the extent that such Claim is an Allowed Claim in that Class and has not been paid, released or otherwise satisfied before the Effective Date.

As discussed in greater detail in Section 5.1, the Plan is premised upon the substantive consolidation of AMI, AMO and the Debtor Subsidiaries for purposes of the Plan only. Accordingly, for purposes of the Plan, the assets and liabilities of AMI, AMO and the Debtor Subsidiaries are deemed assets and liabilities of a single, consolidated Entity.

The following chart summarizes the classification of Claims against, and Interests in, the Debtors:

Class	Designation	Impairment	Entitled to Vote
1	Priority Non-Tax Claims	Unimpaired	No (deemed to accept)
2	Term Facility Claims	Impaired	Yes
3	Revolver Claims	Unimpaired	No (deemed to accept)
4	Other Secured Claims	Unimpaired	No (deemed to accept)
5	PIK Notes Claims	Impaired	Yes
6	Subordinated Notes Claims	Impaired	Yes
7	2011 Notes Claims	Impaired	Yes
8	General Unsecured Claims	Unimpaired	No (deemed to accept)
9	Intercompany Claims	Impaired	No (deemed to accept)
10	Interests in AMI	Impaired	No (deemed to reject)

SECTION 4. TREATMENT OF CLAIMS AND INTERESTS

4.1 Priority Non-Tax Claims (Class 1).

(a) Impairment and Voting. Class 1 is unimpaired by the Plan. No Holder of an Allowed Priority Non-Tax Claim is entitled to vote to accept or reject the Plan and shall be conclusively deemed to have accepted the Plan.

(b) Distributions. Except to the extent that a Holder of an Allowed Priority Non-Tax Claim against any of the Debtors agrees to a different treatment, in full and final satisfaction, settlement, release and discharge of and in exchange for each and every Allowed Class 1 Claim, each such Holder shall receive, in full satisfaction of such Claim, Cash in an amount equal to such Claim, on or as soon as reasonably practicable after the latest of (i) the Effective Date, (ii) the date such Claim becomes Allowed, and (iii) the date for payment provided by any agreement or understanding between the applicable Debtor and the Holder of such Claim.

4.2 Term Facility Claims (Class 2).

(a) Impairment and Voting. Class 2 is impaired by the Plan. The Term Facility Claims shall be Allowed in the aggregate amount of (i) $445,675,713.80 (for the avoidance of doubt, such amount includes the principal amount outstanding, any prepayment penalties due and owing, and that portion of the deferred consent fee allocable to the Term Facility Claims), plus (ii) (a) all accrued and unpaid interest thereon (including all accrued and unpaid interest on any prepayment penalties due and owing and the deferred consent fee) at the non-default contract rate under the 2009 Credit Agreement as of the Effective Date, except to the extent such interest is otherwise provided herein to be paid or satisfied and (b) all unpaid reasonable and documented out-of-pocket fees and expenses (including legal fees and expenses) of the Administrative Agent through and including the Effective Date, which fees and expenses shall be paid in full, in Cash. Each Holder of an Allowed Term Facility Claim is entitled to vote to accept or reject the Plan.

(b) Distributions. On the Effective Date or as soon thereafter as is reasonably practicable, in full and final satisfaction, settlement, release and discharge of and in exchange for each and every Allowed Class 2 Claim, each Holder of an Allowed Term Facility Claim shall receive its pro rata share, on a dollar for dollar basis of the following in an aggregate amount equal to the Allowed amount of all Term Facility Claims: (i) Cash, in an amount to be determined by the Debtors but in any event no less than 70% of the amount of all Allowed Term Facility Claims; and (ii) New Second Lien Notes; *provided however*, that the aggregate amount of New Second Lien Notes distributed to Term Facility Lenders shall not be greater than the Backstop Commitment; *provided further however*, that notwithstanding the foregoing, and for the avoidance of doubt, the unpaid reasonable and documented out-of-pocket fees and expenses (including legal fees and expenses) of the Administrative Agent through and including the Effective Date shall be paid in full, in Cash to the Administrative Agent. In addition, and pursuant to the provisions of Section 5.4, each Holder of a Term Facility Claim (other than a Backstop Party) shall have the right to require that the Backstop Parties purchase in Cash from such Holder, on the Effective Date, its *pro rata* share of the New Second Lien Notes which it

receives pursuant to this Section 4.2(b) for the face amount of such Holder's New Second Lien Notes.

4.3 Revolver Claims (Class 3).

(a) Impairment and Voting. Class 3 is unimpaired by the Plan. The Revolver Claims shall be allowed in the aggregate amount of (i) $60,822,634.69 (for the avoidance of doubt, such amount includes the principal amount outstanding and that portion of the deferred consent fee allocable to the Revolver Claims), plus (ii) all accrued and unpaid interest thereon (including all accrued and unpaid interest on the deferred consent fee) at the non-default contract rate under the 2009 Credit Agreement as of the Effective Date, except to the extent such interest is otherwise provided herein to be paid or satisfied and (b) all unpaid reasonable and documented out-of-pocket fees and expenses (including legal fees and expenses) of the Administrative Agent through and including the Effective Date. No Holder of an Allowed Revolver Claim is entitled to vote to accept or reject the Plan and shall be conclusively deemed to have accepted the Plan.

(b) Distributions. On the Effective Date or as soon thereafter as is reasonably practicable, in full and final satisfaction, settlement, release and discharge of and in exchange for each and every Allowed Class 3 Claim, each Holder of an Allowed Revolver Claim shall receive payment in full, in Cash.

4.4 Other Secured Claims (Class 4).

(a) Impairment and Voting. Class 4 is unimpaired by the Plan. No Holder of an Allowed Other Secured Claim is entitled to vote to accept or reject the Plan and shall be conclusively deemed to have accepted the Plan.

(b) Distributions. On the Effective Date or as soon thereafter as is reasonably practicable, in full and final satisfaction, settlement, release and discharge of and in exchange for each and every Allowed Class 4 Claim, each Holder of an Allowed Other Secured Claim shall, at the Debtors' option, (i) receive payment in full, in Cash, (ii) be reinstated pursuant to Bankruptcy Code section 1124, or (iii) receive such other recovery to be determined by the Debtors in their sole discretion.

4.5 PIK Notes Claims (Class 5).

(a) Impairment and Voting. Class 5 is impaired by the Plan. The PIK Notes Claims shall be Allowed in the aggregate amount of $24,790,102, plus accrued and unpaid interest thereon as of the Petition Date. Each Holder of an Allowed PIK Notes Claim is entitled to vote to accept or reject the Plan.

(b) Distributions. On the Effective Date, or as soon thereafter as is reasonably practicable, in full and final satisfaction, settlement, release and discharge of and in exchange for each and every Allowed Class 5 Claim, each Holder of an Allowed PIK Notes Claim shall receive, at the Debtors' option, but with the Committee's consent, as described in the succeeding sentence, its *pro rata* share of $24,790,102, plus accrued and unpaid interest thereon as of the Petition Date, in the form of either (i) New Second Lien Notes, (ii) New PIK Notes, (iii) New Preferred Stock, or (iv) a combination of the foregoing. The Debtors shall require the consent of

the Committee (which consent shall not be unreasonably withheld or delayed) in determining the form of consideration to be distributed pursuant to this Section 4.5(b); *provided, however*, that (i) the Committee may not require the Debtors to issue a security or debt instrument to the extent that the terms thereof violate the terms of any Plan Supplement Document and (ii) the consent of the members of the Committee holding two-thirds in principal amount of the Allowed PIK Notes Claims held by the Committee at the time the determination is made as to the form of the PIK Notes Claims distribution shall be required in connection with this Section 4.5(b).

4.6 Subordinated Notes Claims (Class 6).

(a) Impairment and Voting. Class 6 is impaired by the Plan. The Subordinated Notes Claims shall be Allowed in the aggregate amount of $355,756,041, plus accrued and unpaid interest thereon as of the Petition Date. Each Holder of an Allowed Subordinated Notes Claim is entitled to vote to accept or reject the Plan.

(b) Distributions. On the Effective Date, or as soon thereafter as is reasonably practicable, in full and final satisfaction, settlement, release and discharge of and in exchange for each and every Allowed Class 6 Claim, each Holder of a Subordinated Notes Claim shall receive its *pro rata* share of the Class 6 Distribution Pool.

4.7 2011 Notes Claims (Class 7).

(a) Impairment and Voting. Class 7 is impaired by the Plan. The 2011 Notes Claims shall be Allowed in the aggregate amount of $7,501,676, plus accrued and unpaid interest thereon as of the Petition Date. Each Holder of an Allowed 2011 Notes Claim is entitled to vote to accept or reject the Plan.

(b) Distributions. On the Effective Date, or as soon thereafter as is reasonably practicable, in full and final satisfaction, settlement, release and discharge of and in exchange for each and every Allowed Class 7 Claim, each Holder of an Allowed 2011 Notes Claim shall receive its *pro rata* share of the Class 7 Distribution Pool.

4.8 General Unsecured Claims (Class 8).

(a) Impairment and Voting. Class 8 is unimpaired by the Plan. No Holder of an Allowed General Unsecured Claim is entitled to vote to accept or reject the Plan and shall be conclusively deemed to have accepted the Plan.

(b) Distributions. In full and final satisfaction, settlement, release and discharge of and in exchange for each and every Allowed Class 8 Claim, each Holder of an Allowed General Unsecured Claim shall receive payment in full, in Cash of the unpaid portion of its Allowed General Unsecured Claim on the latest of (i) the Effective Date (or as soon thereafter as is reasonably practicable), (ii) the date on which such Claim becomes Allowed or would otherwise be paid in the ordinary course of the Debtors' business, or (iii) as otherwise agreed by the Debtors and the Holder of such Claim; *provided, however*, that the Debtors may seek authority from the Bankruptcy Court to pay certain General Unsecured Claims in advance of the Effective Date in the ordinary course of business. The Debtors reserve their rights, however, to

dispute the validity of any General Unsecured Claim, whether or not objected to prior to the Effective Date.

4.9 Intercompany Claims (Class 9).

(a) Impairment and Voting. Class 9 is impaired by the Plan. No Holder of an Allowed Intercompany Claim is entitled to vote to accept or reject the Plan and shall be conclusively deemed to have accepted the Plan.

(b) Distributions. On or as soon as practicable after the Effective Date, in full and final satisfaction, settlement, release and discharge of and in exchange for each and every Allowed Class 9 Claim, all Allowed Intercompany Claims will be adjusted, continued, or discharged to the extent determined appropriate by the Debtors. Any such transaction may be effected on or subsequent to the Effective Date without any further action by the stockholders of the Reorganized Debtors.

4.10 Interests in AMI (Class 10).

(a) Impairment and Voting. Class 10 is impaired by the Plan. No Holder of an Allowed Interest in AMI is entitled to vote to accept or reject the Plan and shall be conclusively deemed to have rejected the Plan.

(b) Distributions. On the Effective Date, all Interests in AMI shall be cancelled and shall be of no further force and effect, whether surrendered for cancellation or otherwise. Holders of Interests in AMI shall neither receive distributions nor retain any property under the Plan on account of such Interests in AMI.

SECTION 5. MEANS FOR IMPLEMENTATION

5.1 Substantive Consolidation of Debtors for Plan Purposes Only.

The Plan is premised upon the substantive consolidation of the Debtors for purposes of the Plan only. The Debtors propose procedural substantive consolidation to avoid the inefficiency of proposing, voting on, and making distributions in respect of Entity-specific claims. Accordingly, on the Effective Date, all of the Debtors and their Estates shall, for purposes of the Plan only, be deemed merged and (a) all assets and liabilities of the Debtors shall be treated for purposes of the Plan only as though they were merged, (b) all guarantees of the Debtors of payment, performance, or collection of obligations of any other Debtor shall be eliminated and cancelled, (c) all joint obligations of two (2) or more Debtors, and all multiple Claims against such entities on account of such joint obligations, shall be considered a single Claim against the Debtors, and (d) any Claim filed in the Chapter 11 Cases shall be deemed filed against the consolidated Debtors and a single obligation of the Debtors on and after the Effective Date. Unless otherwise set forth herein, such substantive consolidation shall not (other than for voting, treatment, and distribution purposes under the Plan) affect (i) the legal and corporate structures of the Debtors (including the corporate ownership of the Debtor Subsidiaries), (ii) any Intercompany Claims, or (iii) the substantive rights of any creditor. If any party in interest challenges the proposed limited substantive consolidation, the Debtors reserve the right to

establish at the Confirmation Hearing the ability to confirm the Plan on an Entity-by-Entity basis.

5.2 Corporate Action.

(a) General.

Upon the Effective Date, all actions contemplated by the Plan shall be deemed authorized and approved in all respects, including (i) assumption of the Management Agreements, (ii) selection of the directors and officers for the Reorganized Debtors, (iii) issuance of the New Common Stock by Reorganized AMI, (iv) incurrence of the New First Lien Notes and the New Second Lien Notes, (v) release of the proceeds of the New First Lien Notes Offering and the New Second Lien Notes Offering from escrow, (vi) execution of the New Revolver Facility Credit Agreement, (vii) issuance of the New Preferred Stock, if applicable, (viii) issuance of the New PIK Notes, if applicable, (ix) adoption of the Equity Incentive Plan, (x) adoption of the Director Severance Plan, and (xi) all other actions contemplated by the Plan (whether to occur before, on or after the Effective Date). All matters provided for in the Plan involving the corporate structure of the Debtors or the Reorganized Debtors, and any corporate action required by the Debtors or the Reorganized Debtors in connection with the Plan shall occur in accordance with the Plan and any governing agreements or transfer documents shall be in effect, without any requirement of further action by the security Holders, directors or officers of the Debtors or the Reorganized Debtors. On or (as applicable) prior to the Effective Date, the appropriate officers of the Debtors or the Reorganized Debtors, as applicable, shall be authorized and directed to issue, execute and deliver the agreements, documents, securities, and instruments contemplated by the Plan (or necessary or desirable to effect the transactions contemplated by the Plan) in the name of and on behalf of the Reorganized Debtors, including, without limitation, (i) the New PIK Notes Indenture, if applicable, (ii) the New First Lien Indenture, (iii) the New Second Lien Indenture, (iv) the New Revolver Facility Credit Agreement, (v) the Stockholders Agreement, (vi) the Intercreditor Agreements, (vii) the registration rights agreements relating to the New First Lien Notes and the New Second Lien Notes, and (viii) any and all other agreements, documents, securities and instruments relating to the foregoing (including, without limitation, security documents). The authorizations and approvals contemplated by this Section 5.2(a) shall be effective notwithstanding any requirements under non-bankruptcy law.

(b) Restated Certificate of Incorporation, New Preferred Stock Certificate of Designation (if Applicable) and Restated Bylaws of Reorganized AMI and the Other Reorganized Debtors.

On the Effective Date, Reorganized AMI shall adopt the Restated Certificate of Incorporation, the New Preferred Stock Certification of Designation (if applicable) and the Restated Bylaws, and shall file the Restated Certificate of Incorporation and the New Preferred Stock Certification of Designation (if applicable) with the Secretary of State of the State of Delaware. In addition, on or before the Effective Date, pursuant to and only to the extent required by Bankruptcy Code section 1123(a)(6), the Restated Certificate of Incorporation, the New Preferred Stock Certification of Designation (if applicable), the certificates of incorporation of the Debtors that are corporations, and the organization documents for the Debtors that are limited liability companies shall also be amended (and as to the corporate Debtors, filed with the

Secretary of State of their respective states of incorporation) as necessary to satisfy the provisions of the Bankruptcy Code and shall include, among other things, (i) a provision increasing the number of authorized shares of Reorganized AMI, (ii) a provision prohibiting the issuance of non-voting equity securities and (iii) a provision setting forth an appropriate distribution of voting power among classes of equity securities possessing voting power. On the Effective Date, the New Boards of each corporate Reorganized Debtor shall be deemed to have adopted the restated certificate of incorporation and restated bylaws for such Reorganized Debtor.

(c) Boards of Directors of Reorganized AMI, AMO and the Other Reorganized Debtors.

On the Effective Date, the operation of Reorganized AMI and AMO shall become the general responsibility of their respective boards of directors, subject to, and in accordance with, the Restated Certificate of Incorporation and Restated Bylaws. On the Effective Date, the operation of each of the other Reorganized Debtors shall become the general responsibility of its respective board of directors or board of managers, as applicable, subject to and in accordance with its respective restated certificates of incorporation and restated bylaws or other organizational documents. The initial boards of directors of Reorganized AMI, Reorganized AMO and the other Reorganized Debtors shall be disclosed in the Plan Supplement (or as soon thereafter as is reasonably practicable). The initial boards of directors of Reorganized AMI and Reorganized AMO shall be composed of nine members, eight of whom shall be selected by members of the Committee consistent with the terms outlined in the Stockholders Agreement, and one of whom shall be the post-Effective Date chief executive officer of AMI and AMO.

(d) Officers of Reorganized AMI and the Other Reorganized Debtors.

The initial officers of Reorganized AMI and the other Reorganized Debtors shall be disclosed in the Plan Supplement (or as soon thereafter as is reasonably practicable). The selection of officers of Reorganized AMI and the other Reorganized Debtors after the Effective Date shall be as provided in the respective restated certificates of incorporation and restated bylaws or other organizational documents of Reorganized AMI or the applicable Reorganized Debtor.

(e) Escrow Issuer for New First Lien Financing and the New Second Lien Financing, if Applicable.

On the Petition Date, or as soon as practicable thereafter, the Debtors will file a motion (the "***Escrow Motion***") requesting an order from the Bankruptcy Court finding that New LLC and the Escrow Issuer are non-Debtor entities and that any proceeds of the New First Lien Notes Offering and the New Second Lien Notes Offering or other assets held by New LLC and Escrow Issuer will not be deemed property of the Debtors' Estates and will not be consolidated with the Debtors' assets or Estates. In addition, the Debtors will request Bankruptcy Court approval for authority to transfer approximately $15 million into escrow to pay fees, interest and other amounts associated with (y) the New First Lien Financing and (z) the New Second Lien Financing, to the extent the New Second Lien Notes are issued to third-party investors for Cash. Upon Bankruptcy Court approval of the Escrow Motion, the Escrow Issuer will (i) enter into

related escrow agreements, pursuant to which the proceeds of the New First Lien Notes Offering, that portion of the New Second Lien Financing provided by third-party investors (if any) and other amounts relating to other payment obligations in respect of the New First Lien Financing and New Second Lien Financing will be held pending consummation of the Plan; (ii) grant a lien for the benefit of the New First Lien Holders on the proceeds from the New First Lien Notes Offering and all other assets in the applicable escrow account; and (iii) grant a lien for the benefit of the New Second Lien Holders on the proceeds from the New Second Lien Notes Offering (if any) who purchased their New Second Lien Notes for Cash and all other assets in the applicable escrow account. On the Effective Date, (a) the Escrow Issuer will merge into Reorganized AMO, which will assume the ongoing liability for the New First Lien Notes and New Second Lien Notes under the New First Lien Indenture and the New Second Lien Indenture, respectively, and the related registration rights agreements; (b) Reorganized AMO shall be authorized to distribute the New Second Lien Notes; (c) Reorganized AMO and the Reorganized Debtors shall be authorized to execute, deliver and enter into, *inter alia*, the Intercreditor Agreements and collateral documents without the need for any further corporate action and without further action by the Holders of Claims or Interests; and (d) the proceeds of the New First Lien Notes Offering and the New Second Lien Notes Offering (and any other amounts held in escrow) will be released from escrow.

5.3 Distribution of New Second Lien Financing.

On the Effective Date, the New Second Lien Notes that were not issued for Cash in the New Second Lien Notes Offering shall be distributed on behalf of Reorganized AMO to (a) Holders of Allowed Term Facility Claims to the extent provided in Section 4.2 hereof, (b) at the election of the Debtors, Holders of Allowed PIK Notes Claims to the extent provided in Section 4.5 hereof, and (c) the Backstop Parties as set forth in Sections 4.2(b) and 4.5(b) above and Section 5.4 below.

5.4 Offer to Purchase New Second Lien Notes.

Pursuant to and in accordance with the terms of the Backstop Agreement, the Backstop Parties have, severally and not jointly, committed to purchase their *pro rata* share (based upon their *pro rata* share of all Subordinated Notes held collectively by the Backstop Parties) of any New Second Lien Notes that would otherwise be distributed to the Holders of the Allowed Term Facility Claims (excluding any Backstop Party) pursuant to Section 4.2(b) hereof (the "***Backstop Commitment***") to the extent such Holders have made the election described in the next sentence. Holders of Allowed Term Facility Claims other than the Backstop Parties may elect to have the Backstop Parties purchase their *pro rata* share of the New Second Lien Notes for the face amount of such New Second Lien Notes pursuant to an election form that, subject to Bankruptcy Court approval, will be distributed to such Holders no later than 10 days after the Petition Date. Any Holder of an Allowed Term Facility Claim electing to have the Backstop Parties purchase their share of the New Second Lien Notes must do so by noting its election on such Holder's supplemental election form and returning same to the Debtors by no later than 10 Business Days after the date the election form is distributed. The mechanism by which electing Holders of Allowed Term Facility Claims will exercise their put option to ensure that such Holders will obtain Cash in exchange for their allocation of New Second Lien Notes will be set forth in the supplemental election form. Consummation of the purchase of such New Second

Lien Notes shall occur on the Effective Date. If one or more Term Facility Lenders exercises its option to put its *pro rata* allocation of New Second Lien Notes to the Backstop Parties, the Backstop Parties shall receive from the Debtors a fee equal to 5% of the aggregate principal amount of New Second Lien Notes put to the Backstop Parties by the Term Facility Lenders, which fee shall be payable in Cash.

In addition, pursuant to and in accordance with the terms of the Backstop Agreement, in consideration for undertaking their commitments under the Backstop Agreement, the Backstop Parties shall be entitled to a fully earned and nonrefundable fee payable in fully-paid and non-assessable New Common Stock, representing 5% (the "***Backstop Percentage Interest***") of the New Common Stock to be issued and outstanding on the Effective Date, which 5% shall be calculated after giving effect to the issuance of New Common Stock to the Backstop Parties on account of any Subordinated Notes they hold and without dilution in respect of the Additional Shares (as defined below) (collectively, the "***Initial Shares***"); provided that, if the Backstop Parties are not required to purchase (or elect to receive) a portion of the New Second Lien Notes pursuant to the terms of the Backstop Agreement, then the Backstop Percentage Interest shall be reduced to 3.5%. In addition, on the Effective Date, each Backstop Party shall be entitled to such additional fully-paid and non-assessable shares of New Common Stock (collectively, the "***Additional Shares***" and, together with the Initial Shares, the "***Backstop Shares***") as are required so that its Initial Percentage Ownership shall not be diluted by the issuance of the Initial Shares. The issuance of Backstop Shares to the Backstop Parties shall be subject to dilution by the Equity Incentive Plan. The Backstop Agreement provides for the execution of a registration rights agreement, on commercially reasonable terms to be mutually agreed upon, to be entered into between the Reorganized Debtors and the Backstop Parties.

5.5 Issuance of New Common Stock and New Preferred Stock, if Applicable.

The issuance of New Common Stock and the New Preferred Stock (if applicable) by Reorganized AMI shall be authorized without the need for any further corporate action. On the Effective Date, Reorganized AMI shall issue the New Common Stock and the New Preferred Stock (if applicable). Reorganized AMI shall:

(a) issue the shares of New Common Stock to the Holders of Allowed 2011 Notes and Subordinated Notes as set forth herein;

(b) issue the New Preferred Stock to the Holders of Allowed PIK Notes, if applicable;

(c) pursuant to the Equity Incentive Plan described in Section 5.9 below, issue up to 6.5% of the shares of New Common Stock to certain employees, directors and consultants of the Reorganized Debtors and such employees, directors and consultants will be deemed parties to the Stockholders Agreement; and

(d) issue the Backstop Shares to the Backstop Parties pursuant to the Backstop Agreement.

5.6 Merger/Dissolution/Consolidation.

On or as of the Effective Date or as soon as practicable thereafter and without the need for any further action, the Reorganized Debtors may (i) cause any or all of the Debtors to be merged into one or more of the Reorganized Debtors, dissolved or otherwise consolidated, (ii) cause the transfer of assets between or among the Reorganized Debtors, or (iii) engage in any other transaction in furtherance of the Plan. In addition, as of the Effective Date, the Escrow Issuer will merge into one of the Reorganized Debtors.

5.7 Cancellation of Existing Securities and Agreements.

Except as otherwise provided hereunder, on the Effective Date, all of the agreements and other documents evidencing (a) the Claims or rights of any Holder of a Claim against the Debtors, including all credit agreements, indentures and notes evidencing such Claims, (b) the Interests in AMI, and (c) any options or warrants to purchase Interests of AMI, or obligating such Debtors to issue, transfer or sell Interests or any other capital stock of such Debtors, shall be cancelled.

5.8 Surrender of Existing Securities.

As a condition precedent to receiving any distribution on account of Allowed Notes Claims, each record Holder of any such securities shall be deemed to have surrendered such securities or other underlying documentation and all such surrendered securities and other documentation shall be deemed to be cancelled in accordance with Section 5.7 of the Plan.

5.9 Equity Incentive Plan.

As of the Effective Date, Reorganized AMI shall establish the Equity Incentive Plan, which will provide for up to 10% of the New Common Stock on a fully diluted basis, of which no more than 6.5% shall be immediately issued to the officers and key employees of the Reorganized Debtors and their affiliates as determined by the New Boards of Reorganized AMI and Reorganized AMO after the Effective Date.

5.10 Director Severance Plan.

As of the Effective Date, the Reorganized Debtors shall establish the Director Severance Plan. Pursuant to the Director Severance Plan, the Debtors provide severance benefits to certain directors of AMI upon certain terminations of their service as members of the board. Upon the termination of the service of certain non-employee directors as a member of the board, such directors shall be entitled to receive a lump sum cash payment in an amount equal to $35,000 for each year and partial year during which such director served on the board, payable within thirty (30) days following the date of termination.

Cancellation of Liens. Except as otherwise provided in the Plan, upon the occurrence of the Effective Date, any lien securing any Secured Claim shall be deemed released, and the Holder of such Secured Claim shall be authorized and directed to release any Collateral or other property of any Debtor (including any Cash Collateral) held by such Holder and to take such actions as

may be requested by the Reorganized Debtors to evidence the release of such lien, including the execution, delivery and filing or recording of such releases.

5.12 Compromise of Controversies.

In consideration for the distributions and other benefits provided under the Plan, the provisions of the Plan constitute a good faith compromise and settlement of all Claims and controversies resolved under the Plan, and the entry of the Confirmation Order shall constitute the Bankruptcy Court's approval of such compromise and settlement under Bankruptcy Rule 9019.

5.13 Stockholders Agreement.

On the Effective Date, creditors, directors, officers and consultants who receive New Common Stock pursuant to the Plan will be deemed to become parties to the Stockholders Agreement as a result of the distribution they receive under the Plan. The Stockholders Agreement shall contain certain customary rights and obligations, including director designation rights, right of first offer, registration rights, drag rights, tag rights, minority transfer rights and rights to receive certain information concerning the Debtor's at a party's option and limits on the number of record holders. Each creditor, director, officer and consultant who receives New Common Stock pursuant to the Plan may be requested to execute the Stockholders Agreement as a result of the distribution they receive under the Plan.

5.14 Listing of New Common Stock and Transfer Restrictions.

Other than as provided in the Stockholders Agreement, the Reorganized Debtors shall not be obligated, and do not intend, to list the New Common Stock on a national securities exchange. In order to ensure that Reorganized AMI will not become subject to the reporting requirements of the Securities Exchange Act, except in connection with a public offering, the New Certificate of Incorporation and the Stockholders Agreement will impose certain trading restrictions to limit the number of record holders thereof. The New Common Stock will be subject to certain transfer and other restrictions pursuant to the Stockholders Agreement and the New Certificate of Incorporation.

5.15 Exemption from Securities Laws.

Section 3(a)(9) of the Securities Act provides that, except for securities exchanged in a case under chapter 11 of the Bankruptcy Code, the registration requirements of section 5 of the Securities Act shall not apply to securities exchanged by an issuer with its existing security Holders exclusively where no commission or other remuneration is paid or given directly or indirectly for soliciting such exchange. By virtue of section 18 of the Securities Act, section 3(a)(9) also provides that any state "blue sky" law requirements shall not apply to such exchange.

Section 4(2) of the Securities Act provides that the registration requirements of section 5 of the Securities Act shall not apply to the offer and sale of a security in connection with transactions not involving any public offering. By virtue of section 18 of the Securities Act,

section 4(2) also provides that any state "blue sky" law requirements shall not apply to such offer or sale.

Section 1145 of the Bankruptcy Code provides that the registration requirements of section 5 of the Securities Act (and any state Blue Sky Law requirements) shall not apply to the offer or sale of stock, options, warrants, or other securities by a debtor if (a) the offer or sale occurs under a plan of reorganization; (b) the recipients of the securities hold a claim against, an interest in, or claim for administrative expense against, the debtor; and (c) the securities are issued in exchange for a claim against or interest in a debtor or are issued principally in such exchange and partly for cash and property.

In reliance upon these exemptions, the distribution of the New Common Stock, New Preferred Stock, if applicable, New PIK Notes, if applicable, and New Second Lien Notes pursuant to the Plan will not be registered under the Securities Act or any state "blue sky" law requirements.

5.16 Exemption from Transfer Taxes.

Pursuant to Bankruptcy Code section 1146(a), any issuance, transfer or exchange of notes or equity securities under the Plan, the creation of any mortgage, deed of trust or other security interest, the making or assignment of any lease or sublease, or the making or delivery of any instrument of transfer from a Debtor to a Reorganized Debtor or any other Person pursuant to the Plan shall not be subject to any document recording tax, stamp tax, conveyance fee, intangibles or similar tax, mortgage tax, real estate transfer tax, mortgage recording tax or other similar tax or governmental assessment, and the Confirmation Order shall direct the appropriate state or local governmental officials or agents to forego the collection of any such tax or governmental assessment and to accept for filing and recordation any of the foregoing instruments or other documents without the payment of any such tax or governmental assessment. Without limiting the foregoing, any issuance, transfer or exchange of a security or any making or delivery of an instrument of transfer pursuant to the Plan shall be exempt from the imposition and payment of any and all transfer taxes (including, without limitation, any and all stamp taxes or similar taxes and any interest, penalties and addition to the tax that may be required to be paid in connection with the Consummation of the Plan and the Plan Supplement Documents) pursuant to Bankruptcy Code sections 1146(a), 505(a), 106 and 1141.

5.17 D&O Insurance Policy.

As of the Effective Date, the Reorganized Debtors will assume the D&O Insurance Policy pursuant to Bankruptcy Code section 365(a). Entry of the Confirmation Order shall constitute the Bankruptcy Court's approval of the Debtors' foregoing assumption of the D&O Insurance Policy. Until the sixth anniversary of the Effective Date, Reorganized AMI shall, and shall cause Reorganized AMO, to cause the individuals serving as directors of the Reorganized Debtors to be covered by the D&O Insurance Policy (provided that Reorganized AMI and/or Reorganized AMO may substitute therefor policies of at least the same coverage and amounts containing terms and conditions that are not less advantageous in any material respect than the D&O Insurance Policy); provided that in no event shall Reorganized AMI or Reorganized AMO be required to expend annually in the aggregate an amount in excess of

150.0% of the annual premiums currently paid by AMI for such insurance (the "***Insurance Amount***"), and provided further that if Reorganized AMI is unable to maintain the D&O Insurance Policy (or such substitute policy) as a result of the preceding proviso, Reorganized AMI shall obtain as much comparable insurance as is available for the Insurance Amount.

SECTION 6. DISTRIBUTIONS

6.1 Voting of Claims.

Each Holder of an Allowed Claim in an impaired class of Claims that is entitled to vote on the Plan pursuant to Sections 3 and 4 of the Plan shall be entitled to vote separately to accept or reject the Plan, as provided in such order as is entered by the Bankruptcy Court approving procedures with respect to the solicitation and tabulation of votes to accept or reject the Plan, or any other order of the Bankruptcy Court.

6.2 Cramdown and No Unfair Discrimination.

In the event that any impaired Class of Claims or Interests rejects the Plan or is deemed to have rejected the Plan, the Debtors reserve the right, without any delay in the occurrence of the Confirmation Hearing or Effective Date, to (a) request that the Bankruptcy Court confirm the Plan in accordance with Bankruptcy Code section 1129(b) with respect to such non-accepting Class, in which case the Plan shall constitute a motion for such relief, and/or (b) amend the Plan in accordance with Section 12.6 hereof.

6.3 Distribution Record Date.

As of the close of business on the Distribution Record Date, the various transfer registers for each of the Classes of Claims as maintained by the Debtors, or their respective agents, shall be deemed closed, and there shall be no further changes in the record Holders of any of the Claims. The Debtors or the Reorganized Debtors, as applicable, shall have no obligation to recognize any transfer of Claims occurring on or after the Distribution Record Date. The Debtors, the Reorganized Debtors or any party responsible for making distributions pursuant to this Section 6 shall be entitled to recognize and deal for all purposes hereunder only with those record Holders stated on the transfer ledgers as of the close of business on the Distribution Record Date, to the extent applicable.

6.4 Date of Distributions.

Except as otherwise provided herein, any distributions and deliveries to be made hereunder shall be made on the Effective Date or as soon thereafter as is reasonably practicable. In the event that any payment or act under the Plan is required to be made or performed on a date that is not a Business Day, then the making of such payment or the performance of such act may be completed on the next succeeding Business Day, but shall be deemed to have been completed as of the required date.

6.5 Sources of Cash for Distributions.

Except as otherwise provided herein or in the Confirmation Order, all Cash required for the payments to be made hereunder shall be obtained from the Debtors' and the Reorganized Debtors' operations, Cash on hand, the New Revolver Facility, New First Lien Financing, and that portion, if any, of the New Second Lien Financing that is issued for Cash.

6.6 Disbursement Agent.

Unless otherwise specified herein, all distributions under the Plan shall be made by AMO as Disbursement Agent or such other Entity designated by AMO as a Disbursement Agent on the Effective Date. No Disbursement Agent hereunder, including, without limitation, the Administrative Agent and the Indenture Trustees, shall be required to give any bond or surety or other security for the performance of its duties unless otherwise ordered by the Bankruptcy Court.

6.7 Rights and Powers of the Disbursement Agent.

Each Disbursement Agent shall be empowered to (a) effect all actions and execute all agreements, instruments, and other documents necessary to perform its duties hereunder, (b) make all distributions contemplated hereby, (c) employ professionals to represent it with respect to its responsibilities, and (d) exercise such other powers as may be vested in the Disbursement Agent by order of the Bankruptcy Court, pursuant to the Plan or as deemed by such Disbursement Agent to be necessary and proper to implement the provisions hereof.

6.8 Expenses of the Disbursement Agent.

Except as otherwise ordered by the Bankruptcy Court, any reasonable fees and expenses incurred by each Disbursement Agent acting in such capacity (including taxes and reasonable attorneys' fees and expenses) on or after the Effective Date shall be paid in Cash by the Reorganized Debtors in the ordinary course of business.

6.9 Delivery of Distributions.

(a) Last Known Address. Subject to Bankruptcy Rule 9010, all distributions to any Holder of an Allowed Claim shall be made to the address of such Holder as set forth in the books and records of the Debtors, unless the applicable Reorganized Debtor has been notified in writing of a change of address. In the event that any distribution to any Holder is returned as undeliverable, the Disbursement Agent shall use reasonable efforts to determine the current address of such Holder, but no distribution to such Holder shall be made unless and until the Disbursement Agent has determined the then-current address of such Holder, at which time such distribution shall be made to such Holder without interest; *provided, however*, that such distributions shall be deemed unclaimed property under Bankruptcy Code section 347(b) at the expiration of one (1) year from the Effective Date. After such date, all unclaimed property or interest in property shall revert to the Reorganized Debtors, and the Claim of any other Holder to such property or interest in property shall be discharged and forever barred notwithstanding any applicable federal or state escheat, abandoned or unclaimed property laws to the contrary.

(b) Distributions by Administrative Agent. The Administrative Agent shall be the Disbursement Agent for the Term Facility Claims. Distributions under the Plan to Holders of such Allowed Term Facility Claims shall be made by the Reorganized Debtors to the Administrative Agent, which, in turn, shall make the distributions to the Holders of such Allowed Claims. The Administrative Agent shall not be required to give any bond, surety or other security for the performance of its duties with respect to its administration of distributions. Upon delivery by the Reorganized Debtors of the distributions to the Administrative Agent in conformity with Sections 4.2(b) and 4.3(b), the Reorganized Debtors shall be released of all liability with respect to the delivery of such distributions.

(c) Distributions by the Indenture Trustees. The Indenture Trustees shall be the Disbursement Agent for the Allowed Notes Claims. Distributions under the Plan to Holders of Allowed Notes Claims shall be made by Reorganized Debtors to, or at the direction of, the Indenture Trustees, which, in turn, shall make or direct the distributions to the Holders of such Allowed Notes Claims and, upon completion thereof, shall be discharged from all of their obligations associated with the 2011 Notes, Subordinated Notes and PIK Notes. Upon delivery of the distribution set forth in Sections 4.5(b), 4.6(b) and 4.7(b) to, or at the direction of, the Indenture Trustees, the Reorganized Debtors shall be released of all liability with respect to the delivery of such distributions. The Indenture Trustees shall not be required to give any bond, surety or other security for the performance of its duties with respect to its administration of distributions.

6.10 Manner of Payment Under Plan.

(a) All distributions of New Second Lien Notes to the Holders of Claims under the Plan shall be made by, or at the direction of, the applicable Disbursement Agent on behalf of Reorganized AMO.

(b) All distributions of New Common Stock to the Holders of Claims and the Backstop Parties under the Plan shall be made by the Disbursement Agent on behalf of Reorganized AMI.

(c) All distributions of New Common Stock to employees, directors and consultants made on account of the Equity Incentive Plan shall be made by Reorganized AMI.

(d) All distributions of New Preferred Stock, if any, to Holders of Claims under the Plan shall be made by the Disbursement Agent on behalf of Reorganized AMI.

(e) All distributions of Cash under the Plan shall be made by the applicable Disbursement Agent on behalf of the applicable Debtor.

(f) At the option of the applicable Disbursement Agent, any Cash payment to be made hereunder may be made by a check or wire transfer or as otherwise required or provided in applicable agreements.

6.11 No Fractional Shares of New Common Stock or New Preferred Stock, if Any.

No fractional shares of New Common Stock or New Preferred Stock, if any, shall be issued or distributed under the Plan, and no Cash shall be distributed in lieu of such fractional shares. When any distribution pursuant to the Plan would otherwise result in the issuance of a number of shares of New Common Stock or New Preferred Stock, if any, that is not a whole number, the actual distribution of shares of New Common Stock or New Preferred Stock, if any, shall be rounded as follows: (a) fractions of one-half (½) or greater shall be rounded to the next higher whole number and (b) fractions of less than one-half (½) shall be rounded to the next lower whole number with no further payment therefor. The total number of authorized shares of New Common Stock or New Preferred Stock, if any, to be distributed pursuant to the Plan shall be adjusted as necessary to account for the foregoing rounding.

6.12 Setoffs and Recoupment.

The Debtors and the Reorganized Debtors may, but shall not be required to, setoff against any Claim (for purposes of determining the Allowed amount of such Claim on which distribution shall be made) any claims of any nature whatsoever that the Debtors or the Reorganized Debtors may have against the Holder of such Claim, but neither the failure to do so nor the allowance of any Claim hereunder shall constitute a waiver or release by the Debtors of any such claim the Debtors or the Reorganized Debtors may have against the Holder of such Claim.

6.13 Distributions After Effective Date.

Distributions made after the Effective Date to Holders of Disputed Claims that are not Allowed Claims as of the Effective Date but which later become Allowed Claims shall be deemed to have been made on the Effective Date.

6.14 Cash Distributions.

No payment of Cash of less than $100 shall be made to any holder of an Allowed Claim unless a request therefor is made in writing to the appropriate Disbursement Agent.

6.15 Allocation of Distributions Between Principal and Interest.

In the case of distributions with respect to any Notes Claim pursuant to this Plan, the fair market value of any distribution received by the Holder of such Notes Claim will be allocable first to the principal amount of such Notes Claim (as determined for federal income tax purposes) and then, to the extent of any excess, the remainder of the Notes Claim.

6.16 No Postpetition Interest on Claims.

Unless otherwise specifically provided for in the Plan or the Confirmation Order, or as required by applicable bankruptcy law, postpetition interest shall not accrue on or after the Petition Date on account of any Claim.

SECTION 7. PROCEDURES FOR DISPUTED CLAIMS

7.1 Disputed Claims/Process.

On and after the Effective Date, except as otherwise provided herein, all Claims will be paid in the ordinary course of business of the Reorganized Debtors. Except insofar as a Claim is Allowed pursuant to the Plan, the Debtors may dispute Claims, and if the Debtors dispute any Claim, such dispute shall be determined, resolved or adjudicated, as the case may be, in a manner as if the Chapter 11 Cases had not been commenced and shall survive the Effective Date as if the Chapter 11 Cases had not been commenced. Notwithstanding Bankruptcy Code section 502(a), and considering the unimpaired treatment of all holders of General Unsecured Claims under this Plan, all proofs of claim filed in these Chapter 11 Cases shall be considered objected to and disputed without further action by the Debtors. Upon the Effective Date, all proofs of claim filed against the Debtors, regardless of the time of filing, and including claims filed after the Effective Date, shall be deemed withdrawn. The deemed withdrawal of all proofs of claim is without prejudice to each claimant's rights under this Section 7.1 to assert their claims in any forum as though the Chapter 11 Cases had not been commenced.

7.2 Objections to Claims.

Except insofar as a Claim is Allowed under the Plan and notwithstanding Section 7.1 above, the Debtors, the Reorganized Debtors or any other party in interest shall be entitled to object to Claims, if necessary.

7.3 Estimation of Claims.

The Debtors and the Reorganized Debtors may at any time request that the Bankruptcy Court estimate any contingent, unliquidated, or Disputed Claim pursuant to Bankruptcy Code section 502(c), regardless of whether the Debtors previously objected to such Claim or whether the Bankruptcy Court has ruled on any such objection, and the Bankruptcy Court will retain jurisdiction to estimate any Claim at any time during litigation concerning any objection to any Claim, including, without limitation, during the pendency of any appeal relating to any such objection. In the event that the Bankruptcy Court estimates any contingent, unliquidated, or Disputed Claim, the amount so estimated shall constitute either the Allowed amount of such Claim or a maximum limitation on such Claim, as determined by the Bankruptcy Court. If the estimated amount constitutes a maximum limitation on the amount of such Claim, the Reorganized Debtors may pursue supplementary proceedings to object to the allowance of such Claim. All of the aforementioned objection, estimation, and resolution procedures are intended to be cumulative and not exclusive of one another. Claims may be estimated and subsequently compromised, settled, withdrawn, or resolved by any mechanism approved by the Bankruptcy Court.

7.4 No Distributions Pending Allowance.

Notwithstanding any provision otherwise in the Plan: (a) no partial payments and no partial distributions shall be made with respect to a Disputed Claim until all such disputes in connection with such Disputed Claim have been resolved by settlement or Final Order and (b)

any Entity that holds both an Allowed Claim and a Disputed Claim shall not receive any distribution on the Allowed Claim unless and until all objections to the Disputed Claim have been resolved by settlement or Final Order and the Claim has been Allowed.

7.5 Distributions After Allowance.

To the extent that a Disputed Claim ultimately becomes an Allowed Claim, distributions (if any) shall be made to the Holder of such Allowed Claim in accordance with the provisions of the Plan. As soon as practicable after the date that the order or judgment of the Bankruptcy Court allowing any Disputed Claim becomes a Final Order, the Disbursement Agent shall provide to the Holder of such Claim the distribution (if any) to which such Holder is entitled under the Plan as of the Effective Date, without any interest to be paid on account of such Claim unless required under applicable bankruptcy law.

7.6 Preservation of Claims and Rights to Settle Claims.

Except as otherwise provided herein, or in any contract, instrument, release, indenture, or other agreement or document entered into in connection with the Plan, in accordance with Bankruptcy Code section 1123(b), the Reorganized Debtors shall retain and may enforce, sue on, settle or compromise (or decline to do any of the foregoing) all claims, rights, causes of action, suits and proceedings, whether in law or in equity, whether known or unknown, that the Debtors or their Estates may hold against any Person, without the approval of the Bankruptcy Court, subject to the terms of Section 7.2 hereof, the Confirmation Order, and any contract, instrument, release, indenture, or other agreement entered into in connection herewith. The Reorganized Debtors or their successor(s) may pursue such retained claims, rights, causes of action, suits or proceedings, as appropriate, in accordance with the best interests of the Reorganized Debtors or their successor(s) who hold such rights.

SECTION 8. EXECUTORY CONTRACTS AND UNEXPIRED LEASES

8.1 Assumption and Rejection of Contracts and Leases.

Except as otherwise provided herein, or in any contract, instrument, release, indenture, or other agreement or document entered into in connection with the Plan, as of the Effective Date, the Debtors shall be deemed to have assumed each executory contract and unexpired lease to which they are a party, unless such contract or lease (a) was previously assumed or rejected by the Debtors, (b) previously expired or terminated pursuant to its own terms, (c) is the subject of a motion to reject filed by the Debtors on or before the Confirmation Date or (d) is set forth in a schedule, as an executory contract or unexpired lease to be rejected, if any, filed by the Debtors as part of the Plan Supplement. The Confirmation Order shall constitute an order of the Bankruptcy Court under Bankruptcy Code sections 365 and 1123(b) approving the contract and lease assumptions or rejections described above, as of the Effective Date.

Each executory contract and unexpired lease that is assumed and relates to the use, ability to acquire, or occupancy of real property shall include (a) all modifications, amendments, supplements, restatements or other agreements made directly or indirectly by any

agreement, instrument or other document that in any manner affects such executory contract or unexpired lease and (b) all executory contracts or unexpired leases appurtenant to the premises, including all easements, licenses, permits, rights, privileges, immunities, options, rights of first refusal, powers, uses, usufructs, reciprocal easement agreements, vaults, tunnel or bridge agreements or franchises and any other interests in real estate or rights *in rem* related to such premises, unless any of the foregoing agreements has been rejected pursuant to an order of the Bankruptcy Court.

8.2 Cure of Defaults.

Any monetary amounts by which any executory contract and unexpired lease to be assumed hereunder is in default shall be satisfied, under Bankruptcy Code section 365(b)(1), by the Debtors upon assumption thereof or as soon as practicable thereafter. If there is a dispute regarding (a) the nature or amount of any cure, (b) the ability of the Debtors or any assignee to provide "adequate assurance of future performance" (within the meaning of Bankruptcy Code section 365) under the contract or lease to be assumed or (c) any other matter pertaining to assumption, any cure shall occur following the entry of a Final Order resolving the dispute and approving the assumption or assumption and assignment, as the case may be.

8.3 Rejection Claims.

All Claims arising out of the rejection of executory contracts and unexpired leases must be served upon the Debtors and their counsel within thirty (30) days after the date of entry of an order of the Bankruptcy Court approving such rejection. Any Claims not filed within such time shall be forever barred from assertion against the Debtors, their Estates, and their property.

8.4 Survival of the Debtors' Indemnification Obligations.

Any obligations of the Debtors pursuant to their certificates of incorporation and bylaws or organizational documents, as applicable, or any other agreements entered into by any Debtors at any time prior to the Effective Date, to indemnify current and former directors, officers, agents, and/or employees with respect to all present and future actions, suits, and proceedings against the Debtors or such directors, officers, agents, and/or employees, based upon any act or omission for or on behalf of the Debtors, irrespective of whether such indemnification is owed in connection with an event occurring before or after the Petition Date, shall not be discharged or impaired by confirmation of the Plan. Such obligations shall be deemed and treated as executory contracts to be assumed by the Debtors hereunder and shall continue as obligations of the Reorganized Debtors. Any Claim based on the Debtors' obligations herein shall not be a Disputed Claim or subject to any objection in either case by reason of Bankruptcy Code section 502(e)(1)(B).

8.5 Survival of Management Agreements and Other Employment Arrangements.

Except and to the extent previously assumed by an order of the Bankruptcy Court, on or before the Confirmation Date, all Management Agreements entered into before or after the Petition Date and not since terminated shall be deemed to be, and shall be treated as if they were,

executory contracts to be assumed pursuant to the Plan. In addition, except and to the extent previously assumed by an order of the Bankruptcy Court, on or before the Confirmation Date, all employee compensation and benefit plans (other than the existing incentive plans to be replaced by the Equity Incentive Plan) entered into before or after the Petition Date and not since terminated shall be deemed to be, and shall be treated as if they were, executory contracts to be assumed pursuant to the Plan. The Debtors' obligations under such plans and programs shall survive confirmation of the Plan, except for (a) executory contracts or employee benefit plans specifically rejected pursuant to the Plan (to the extent such rejection does not violate Bankruptcy Code sections 1114 and 1129(a)(13)) and (b) such executory contracts or employee benefit plans as have previously been rejected, are the subject of a motion to reject as of the Confirmation Date, or have been specifically waived by the beneficiaries of any employee benefit plan or contract.

8.6 Insurance Policies.

Except as set forth herein, all insurance policies pursuant to which the Debtors have any obligations in effect as of the date of the Confirmation Order shall be deemed and treated as executory contracts pursuant to the Plan and shall be assumed by the respective Debtors and Reorganized Debtors and shall continue in full force and effect. All other insurance policies shall re-vest in the Reorganized Debtors.

SECTION 9. CONDITIONS PRECEDENT TO THE EFFECTIVE DATE

9.1 Conditions Precedent to the Effective Date.

The occurrence of the Effective Date of the Plan is subject to satisfaction of the following conditions precedent:

(a) Confirmation Order. The Confirmation Order shall have been entered in form and substance reasonably acceptable to the Debtors and the Committee (which consent shall not be unreasonably withheld or delayed) and shall be in full force and effect and there shall not be a stay or injunction (or similar prohibition) in effect with respect thereto.

(b) Execution and Delivery of Other Documents. All other actions and all agreements, instruments or other documents necessary to implement the Plan, including the New First Lien Indenture, the New Second Lien Indenture, the New Revolver Facility Credit Agreement and all other documents comprising the Plan Supplement and Plan Financing Supplement, all of which shall be in form and substance reasonably acceptable to the Debtors and the Committee (which consent shall not be unreasonably withheld or delayed), shall have been (i) effected or (ii) duly and validly executed and delivered by the parties thereto and all conditions to their effectiveness shall have been satisfied or waived.

(c) Regulatory Approvals. The Debtors shall have received all authorizations, consents, regulatory approvals, rulings, letters, no-action letters, opinions or documents necessary to implement the Plan and that are required by law, regulation, or order.

(d) Consents. All authorizations, consents and approvals determined by the Debtors to be necessary to implement the Plan shall have been obtained.

(e) Corporate Formalities. The Restated Certificate of Incorporation shall be filed with the Secretary of State of the State of Delaware contemporaneously with the Effective Date.

(f) Other Acts. Any other actions the Debtors determine are necessary to implement the terms of the Plan shall have been taken.

9.2 Waiver of Conditions Precedent.

Each of the conditions precedent in Section 9.1 hereof may be waived, in whole or in part, by the Debtors without notice or order of the Bankruptcy Court, with the consent of the Committee (which consent shall not be unreasonably withheld or delayed).

9.3 Effect of Failure of Conditions.

If the conditions specified in Section 9.1 hereof have not been satisfied or waived in the manner provided in Section 9.2 hereof by the date that is sixty (60) days after the Confirmation Date, then: (a) the Confirmation Order shall be of no further force or effect; (b) no distributions under the Plan shall be made; (c) the Debtors and all Holders of Claims and Interests in the Debtors shall be restored to the *status quo ante* as of the day immediately preceding the Confirmation Date as though the Confirmation Date had never occurred; (d) all of the Debtors' obligations with respect to the Claims and Interests shall remain unaffected by the Plan and nothing contained herein shall be deemed to constitute a waiver or release of any Claims by or against the Debtors or any other Person or to prejudice in any manner the rights of the Debtors or any Person in any further proceedings involving the Debtors; and (e) the Plan shall be deemed withdrawn.

SECTION 10. EFFECT OF CONFIRMATION

10.1 Vesting of Assets.

On the Effective Date, except as otherwise provided in the Plan, pursuant to Bankruptcy Code sections 1141(b) and (c), all property of the Debtors' Estates shall vest in the Reorganized Debtors free and clear of all Claims, liens, encumbrances, charges, and other interests. Except as otherwise provided in the Plan, each of the Debtors, as Reorganized Debtors, shall continue to exist on and after the Effective Date as a separate legal Entity with all of the powers available to such legal Entity under applicable law, without prejudice to any right to alter or terminate such existence (whether by merger or otherwise) in accordance with such applicable law. On and after the Effective Date, the Reorganized Debtors shall be authorized to operate their respective businesses, and to use, acquire or dispose of assets, without supervision or approval by the Bankruptcy Court and free from any restrictions of the Bankruptcy Code or the Bankruptcy Rules.

10.2 Binding Effect.

Except as otherwise provided in Bankruptcy Code section 1141(d)(3) and subject to the occurrence of the Effective Date, on and after the Confirmation Date, the provisions of the Plan shall bind any Holder of a Claim against, or Interest in, the Debtors, and such Holder's

respective successors and assigns, whether or not the Claim or Interest of such Holder is impaired under the Plan and whether or not such Holder has accepted the Plan.

10.3 Discharge of the Debtors.

Except to the extent otherwise provided in the Plan, the treatment of all Claims against or Interests in the Debtors under the Plan shall be in exchange for and in complete satisfaction, discharge and release of all Claims against or Interests in the Debtors of any nature whatsoever, known or unknown, including any interest accrued or expenses incurred thereon from and after the Petition Date, or against their Estate or properties or interests in property. Except as otherwise provided in the Plan, upon the Effective Date, all Claims against and Interests in the Debtors shall be satisfied, discharged and released in full exchange for the consideration provided under the Plan. Except as otherwise provided in the Plan, all Persons shall be precluded from asserting against the Debtors, or their respective properties or interests in property, any other Claims based upon any act or omission, transaction or other activity of any kind or nature that occurred prior to the Effective Date.

10.4 Exculpation.

Notwithstanding anything provided herein, as of the Effective Date, none of the Released Parties shall have or incur any liability for any claim, cause of action, or other assertion of liability for any act taken or omitted to be taken in connection with, or arising out of, the Chapter 11 Cases, the formulation, dissemination, confirmation, Consummation, or administration of the Plan, or property to be distributed under the Plan, or any other act or omission in connection with the Chapter 11 Cases, the Plan, or any contract, instrument, indenture, or other agreement or document related thereto or delivered thereunder; *provided, however*, that the foregoing shall be subject to a limited carve-out solely for gross negligence, willful misconduct, criminal acts and fraud.

10.5 Term of Injunctions or Stays.

(a) Except as otherwise expressly provided herein, all Persons who have held, hold or may hold Claims against or Interests in any Debtor are permanently enjoined, from and after the Effective Date, from (i) commencing or continuing in any manner any action or other proceeding of any kind on any such Claim or Interest against any Reorganized Debtor, (ii) the enforcement, attachment, collection or recovery by any manner or means of any judgment, award, decree or order against any Reorganized Debtor with respect to any such Claim or Interest, (iii) creating, perfecting or enforcing any encumbrance of any kind against any Reorganized Debtor, or against the property or interests in property of any Reorganized Debtor, as applicable with respect to any such Claim or Interest, (iv) asserting any right of setoff, subrogation or recoupment of any kind against any obligation due from any Reorganized Debtor, or against the property or interests in property of any Reorganized Debtor with respect to any such Claim or Interest, and (v) pursuing any Claim released pursuant to Sections 10.7 and 10.8.

(b) Unless otherwise provided, all injunctions or stays arising under or entered during the Chapter 11 Cases under Bankruptcy Code section 105 or 362, or otherwise, and in

existence on the Confirmation Date, shall remain in full force and effect until the later of the Effective Date and the date indicated in the order providing for such injunction or stay.

10.6 Injunction Against Interference with Plan.

Upon the entry of the Confirmation Order, all Holders of Claims and Interests and other parties in interest, along with their respective present or former employees, agents, officers, directors or principals, shall be enjoined from taking any actions to interfere with the implementation or Consummation of the Plan.

10.7 Releases by the Debtors.

Pursuant to Bankruptcy Code section 1123(b) and to the extent permitted by applicable law, for good and valuable consideration, including the service of the Released Parties to facilitate the reorganization of the Debtors and the implementation of the restructuring contemplated by the Plan, on and after the Effective Date, the Released Parties are deemed released and discharged by the Debtors, the Reorganized Debtors and the Estates and their Affiliates from any and all Claims, obligations, rights, suits, damages, causes of action, remedies and liabilities whatsoever, including any derivative claims, asserted or assertable on behalf of the Debtors, whether known or unknown, foreseen or unforeseen, existing or hereinafter arising, in law, equity or otherwise, that the Debtors, the Reorganized Debtors, the Estates or their Affiliates would have been legally entitled to assert in their own right (whether individually or collectively) or on behalf of the Holder of any Claim or Interest or other Entity, based on or relating to, or in any manner arising from, in whole or in part, the Debtors, the Chapter 11 Cases, the purchase, sale or rescission of the purchase or sale of any security of the Debtors or the Reorganized Debtors, the subject matter of, or the transactions or events giving rise to, any Claim or Interest that is treated in the Plan, the business or contractual arrangements between any Debtor and any Released Party, the restructuring of Claims and Interests before or during the Chapter 11 Cases, the negotiation, formulation or preparation of the Plan and the Disclosure Statement, or related agreements, instruments or other documents, upon any other act or omission, transaction, agreement, event or other occurrence taking place on or before the Effective Date, provided, however, such releases shall not apply to (i) any act or omission that constitutes gross negligence, willful misconduct, criminal acts or fraud and (ii) Claims that arise in the ordinary course of the Debtors' businesses and contractual obligations that are not otherwise being satisfied or discharged under the Plan (the "*Release Carve-Out*"). For the avoidance of doubt, none of the foregoing releases shall include releases of any claims, demands, causes of action and the like, in each case, solely to the extent these arise from or relate to acts or omissions occurring after the Effective Date or which arise under the Plan.

10.8 Releases by the Holders of Claims and Interests.

To the extent permitted by applicable law, as of the Effective Date, each Holder of a Claim or an Interest shall be deemed to have conclusively, absolutely, unconditionally, irrevocably and forever, released and discharged the Debtors, the Reorganized Debtors, the Estates and their Affiliates and the Released Parties from any

and all Claims, Interests, obligations, rights, suits, damages, causes of action, remedies and liabilities whatsoever, including any derivative Claims asserted on behalf of a Debtor, whether known or unknown, foreseen or unforeseen, existing or hereafter arising, in law, equity or otherwise, that such Entity would have been legally entitled to assert (whether individually or collectively), based on or relating to, or in any manner arising from, in whole or in part, the Debtors, the Debtors' restructuring, the Chapter 11 Cases, the purchase, sale or rescission of the purchase or sale of any security of the Debtors or the Reorganized Debtors, the subject matter of, or the transactions or events giving rise to, any Claim or Interest that is treated in the Plan, the business or contractual arrangements between any Debtor and any Released Party, the restructuring of Claims and Interests before or during the Chapter 11 Cases, the negotiation, formulation or preparation of the Plan, the Disclosure Statement, the Plan Supplement, the Plan Financing Supplement or related agreements, instruments or other documents, upon any other act or omission, transaction, agreement, event or other occurrence taking place on or before the Effective Date, provided, however, such releases shall be subject to the Release Carve-Out. For the avoidance of doubt, none of the foregoing releases shall include releases of any claims, demands, causes of action and the like, in each case, solely to the extent these arise from or relate to acts or omissions occurring after the Effective Date or which arise under the Plan.

10.9 Preservation of Claims.

Except as otherwise provided in the Plan, including Sections 10.6, 10.7 and 10.8, as of the Effective Date, pursuant to Bankruptcy Code section 1123(b)(3)(B), any action, cause of action, liability, obligation, right, suit, debt, sum of money, damage, judgment, claim and demand whatsoever, whether known or unknown, in law, equity or otherwise, accruing to the Debtors shall become assets of the Reorganized Debtors, and the Reorganized Debtors shall have the authority to commence and prosecute such causes of action for the benefit of the Estates of the Debtors. After the Effective Date, the Reorganized Debtors shall have the authority to compromise and settle, otherwise resolve, discontinue, abandon or dismiss all such causes of action without approval of the Bankruptcy Court.

10.10 Reservation of Rights.

The Plan shall have no force or effect unless and until the Effective Date. Prior to the Effective Date, none of the filing of the Plan, any statement or provision contained in the Plan, or action taken by the Debtors with respect to the Plan shall be, or shall be deemed to be, an admission or waiver of any rights of any Debtor or any other party with respect to any Claims or Interests or any other matter.

10.11 Plan Supplement.

A draft form of the Plan Supplement Documents to be entered into as of the Effective Date and any other appropriate documents shall be contained in the Plan Supplement and filed with the Clerk of the Bankruptcy Court five days prior to the Confirmation Hearing. Upon its filing with the Bankruptcy Court, the Plan Supplement may be inspected in the office of the Clerk of the Bankruptcy Court during normal court hours.

10.12 Plan Financing Supplement

The Plan Financing Supplement will be filed with the Clerk of the Bankruptcy Court on the Petition Date, or as soon thereafter as is practicable. Upon its filing with the Bankruptcy Court, the Plan Financing Supplement may be inspected in the office of the Clerk of the Bankruptcy Court during normal court hours.

SECTION 11. RETENTION OF JURISDICTION

The Bankruptcy Court shall have exclusive jurisdiction over all matters arising in, arising under, and related to the Chapter 11 Cases and the Plan for, among other things, the following purposes:

(a) To hear and determine applications, if any, for the assumption or rejection of executory contracts or unexpired leases and the allowance of Claims resulting therefrom.

(b) To determine any and all motions, adversary proceedings, applications, contested matters, or other litigated matters pending on the Effective Date.

(c) To ensure that distributions to Holders of Allowed Claims are accomplished as provided herein.

(d) To enter, implement, or enforce such orders as may be appropriate in the event the Confirmation Order is for any reason stayed, reversed, revoked, modified, or vacated.

(e) To issue injunctions, enter and implement other orders, and take such other actions as may be necessary or appropriate to restrain interference by any Person with the Consummation, implementation or enforcement of the Plan, the Confirmation Order or any other order of the Bankruptcy Court.

(f) To hear and determine any timely objections to Administrative Expense Claims or to proofs of claim or interests, including any objections to the classification of any Claim or Interest, and to allow or disallow any Disputed Claim, in whole or in part.

(g) To consider any amendments to or modifications of the Plan, or remedy any defect or omission or reconcile any inconsistency in any order of the Bankruptcy Court, including the Confirmation Order, in such a manner as may be necessary to carry out the purposes and effects thereof.

(h) To hear and determine all applications of retained professionals under Bankruptcy Code sections 330, 331, and 503(b) for awards of compensation for services rendered and reimbursement of expenses incurred prior to the Effective Date.

(i) To hear and determine disputes arising in connection with the interpretation, implementation, or enforcement of the Plan, the Confirmation Order, the documents comprising the Plan Supplement, the documents comprising the Plan Financing Supplement, any transactions or payments contemplated hereby or any agreement, instrument, or

other document governing or relating to any of the foregoing, other than any agreements entered into solely by non-Debtor Entities.

(j) To issue such orders as may be necessary to construe, enforce, implement, execute, and consummate the Plan or to maintain the integrity of the Plan following Consummation.

(k) To determine such other matters and for such other purposes as may be provided in the Confirmation Order.

(l) To hear and determine matters concerning state, local, and federal taxes in accordance with Bankruptcy Code sections 346, 505, and 1146 (including any requests for expedited determinations under Bankruptcy Code section 505(b)).

(m) To hear and determine all disputes involving the existence, scope and nature of the discharges granted under Section 10.3.

(n) To hear and determine all disputes involving or in any manner implicating the exculpation provisions granted under Section 10.4.

(o) To hear and determine any other matters related hereto and not inconsistent with the Bankruptcy Code and title 28 of the United States Code.

(p) To enter a final decree closing the Chapter 11 Cases.

(q) To recover all assets of the Debtors and property of the Debtors' Estates, wherever located.

SECTION 12. MISCELLANEOUS PROVISIONS

12.1 Payment of Statutory Fees.

On the Effective Date, and thereafter as may be required, the Debtors shall pay all fees payable pursuant to section 1930 of chapter 123 of title 28 of the United States Code. Notwithstanding Section 5.1 above, the Debtors shall pay all of the foregoing fees on a per-Debtor basis.

12.2 Payment of Indenture Trustee Fee Claims.

The Reorganized Debtors shall pay all reasonable fees, costs and expenses incurred by the Indenture Trustees after the Effective Date in connection with the distributions required pursuant to the Plan or the implementation of any provisions of the Plan (including the reasonable fees, costs and expenses incurred by the Indenture Trustees' professionals) in the ordinary course upon presentation of invoices by the Indenture Trustees and without the need for approval by the Bankruptcy Court.

12.3 Dissolution of Statutory Committees and Cessation of Fee and Expense Payment.

Any statutory committees appointed in the Chapter 11 Cases shall dissolve on the Effective Date. Provided that all such fees and expenses payable as of the Effective Date have been paid in full, the Reorganized Debtors shall not be responsible for paying any fees and expenses incurred after the Effective Date by the Committee's professionals, and the professionals retained by any statutory committees.

12.4 Substantial Consummation.

On the Effective Date, the Plan shall be deemed to be substantially consummated under Bankruptcy Code sections 1101 and 1127(b).

12.5 Determination of Tax Filings and Taxes.

The Reorganized Debtors shall have the right to request an expedited determination of their tax liability, if any, under Bankruptcy Code section 505(b) with respect to any tax returns filed, or to be filed, for any and all taxable periods ending after the Petition Date through the Effective Date.

12.6 Amendments.

Subject to Bankruptcy Code section 1127 and, to the extent applicable, Bankruptcy Code sections 1122, 1123 and 1125, alterations, amendments or modifications of the Plan may be proposed in writing by the Debtors (with the prior written consent of the Committee, which consent shall not be unreasonably withheld or delayed) at any time prior to or after the Confirmation Date, but prior to the Effective Date. Holders of Claims that have accepted the Plan shall be deemed to have accepted the Plan, as altered, amended or modified, if the proposed alteration, amendment or modification complies with the requirements of this Section 12.6 and does not materially and adversely change the treatment of the Claim of such Holder; *provided, however*, that any Holders of Claims who were deemed to accept the Plan because such Claims were unimpaired shall continue to be deemed to accept the Plan only if, after giving effect to such amendment or modification, such Claims continue to be unimpaired.

12.7 Effectuating Documents and Further Transactions.

Each of the officers of the Reorganized Debtors is authorized, in accordance with his or her authority under the resolutions of the applicable board of directors, to execute, deliver, file, or record such contracts, instruments, releases, indentures, and other agreements or documents and take such actions as may be necessary or appropriate to effectuate and further evidence the terms and conditions of the Plan.

12.8 Revocation or Withdrawal of the Plan.

The Debtors reserve the right to revoke or withdraw the Plan prior to the Effective Date. If the Debtors take such action, the Plan shall be deemed null and void. In such event, nothing contained herein shall constitute or be deemed to be a waiver or release of any claims by

or against the Debtors or any other Person or to prejudice in any manner the rights of the Debtors or any Person in further proceedings involving the Debtors.

12.9 Severability.

If, prior to the entry of the Confirmation Order, any term or provision of the Plan is held by the Bankruptcy Court to be invalid, void, or unenforceable, the Bankruptcy Court, at the request of the Debtors (with the prior written consent of Committee, which consent shall not be unreasonably withheld or delayed), shall have the power to alter and interpret such term or provision to make it valid or enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision held to be invalid, void, or unenforceable, and such term or provision shall then be applicable as altered or interpreted. Notwithstanding any such holding, alteration, or interpretation, the remainder of the terms and provisions of the Plan shall remain in full force and effect and shall in no way be affected, impaired, or invalidated by such holding, alteration or interpretation. The Confirmation Order shall constitute a judicial determination and shall provide that each term and provision of the Plan, as it may have been altered or interpreted in accordance with the foregoing, is valid and enforceable pursuant to its terms.

12.10 Schedules and Exhibits Incorporated.

All exhibits and schedules to the Plan, including the Plan Supplement and Plan Financing Supplement, are incorporated into and are a part of the Plan as if fully set forth herein.

12.11 Solicitation of the Plan.

As of and subject to the occurrence of the Confirmation Date: (a) the Debtors shall be deemed to have solicited acceptances of the Plan in good faith and in compliance with the applicable provisions of the Bankruptcy Code including, without limitation, Bankruptcy Code sections 1125(a) and (e), and any applicable non-bankruptcy law, rule or regulation governing the adequacy of disclosure in connection with such solicitation, and (b) the Debtors, the members of the Committee, the Administrative Agent, the Indenture Trustees, and each of their respective directors, officers, employees, Affiliates, agents, members, managers, partners, financial advisors, investment bankers, professionals, accountants and attorneys shall be deemed to have participated in good faith and in compliance with the applicable provisions of the Bankruptcy Code in the offer and issuance of any securities under the Plan, and therefore are not, and on account of such offer, issuance, and solicitation shall not be, liable at any time for any violation of any applicable law, rule or regulation governing the solicitation of acceptances or rejections of the Plan or the offer and issuance of any securities under the Plan.

12.12 Governing Law.

Except to the extent that the Bankruptcy Code or other federal law is applicable, or to the extent an exhibit hereto or a schedule in the Plan Supplement or Plan Financing Supplement provides otherwise, the rights, duties, and obligations arising under the Plan shall be governed by, and construed and enforced in accordance with, the laws of the State of New York, without giving effect to the principles of conflict of laws thereof.

12.13 Compliance with Tax Requirements.

In connection with the Plan and all instruments issued in connection herewith and distributed hereunder, any Person issuing any instruments or making any distribution under the Plan, including any Person described in Sections 5.3 and 5.5 hereof, shall comply with all applicable withholding and reporting requirements imposed by any federal, state or local taxing authority, and all distributions under the Plan shall be subject to any withholding or reporting requirements. Notwithstanding the above, each Holder of an Allowed Claim that is to receive a distribution under the Plan shall have the sole and exclusive responsibility for the satisfaction and payment of any tax obligations imposed by any governmental unit, including income, withholding and other tax obligations, on account of such distribution. Any Person issuing any instruments or making any distribution under the Plan has the right, but not the obligation, to not make a distribution until such Holder has made arrangements satisfactory to such issuing or distributing Person for payment of any such tax obligations and, if any Person issuing any instrument or making any distribution under the Plan fails to withhold with respect to any such Holder's distribution, and is later held liable for the amount of such withholding, the Holder shall reimburse such Person. The Debtors may require, as a condition to the receipt of a distribution, that the Holder complete the appropriate Form W-8 or Form W-9, as applicable to each Holder.

12.14 Conflict between Plan, Disclosure Statement and Plan Supplement Documents .

(a) In the event of any conflict between the terms and provisions in the Plan and the terms and provisions in the Disclosure Statement, the terms and provisions of the Plan shall control and govern.

(b) In the event of any conflict between the terms and provisions in the Plan and the terms and provisions in the Plan Supplement Documents, the terms and provisions of the relevant Plan Supplement Document shall control and govern.

12.15 Notices.

After the Effective Date, any pleading, notice or other document required by the Plan to be served on or delivered to the Reorganized Debtors shall be served on:

Debtors	**Counsel to the Debtors**
American Media Operations, Inc. 1000 American Media Way Boca Raton, Florida 33464 Attention: Chief Financial Officer	Akin Gump Strauss Hauer & Feld LLP One Bryant Park New York, New York 10036 Attention: Ira S. Dizengoff, Esq. Arik Preis, Esq. Meredith A. Lahaie, Esq. Telephone: (212) 872-1000 Facsimile: (212) 872-1002 Emails: idizengoff@akingump.com apreis@akingump.com mlahaie@akingump.com
United States Trustee	**Counsel to the Committee**
Office of the United States Trustee 33 Whitehall Street New York, New York 10004	Paul, Weiss, Rifkind, Wharton & Garrison LLP 1285 Avenue of the Americas New York, New York 10019 Attention: Andrew Rosenberg, Esq. Diane Meyers, Esq. Arina Popova, Esq. Telephone: (212) 373-3000 Facsimile: (212) 757-3990 Emails: arosenberg@paulweiss.com dmeyers@paulweiss.com apopova@paulweiss.com
Administrative Agent	**Counsel to the Administrative Agent**
JPMorgan Chase Bank, N.A. Loan and Agency Services Group 1111 Fannin Street Houston, Texas 77002 Attention: Gloria Javier Facsimile: (713) 750-2878 JPMorgan Chase Bank, N.A. 270 Park Avenue New York, New York 10017 Attention: Peter Thauer Facsimile: (212) 270-5127	Wachtell, Lipton, Rosen & Katz 51 West 52nd Street New York, New York 10019 Attention: Richard G. Mason, Esq. Jennifer S. Nam, Esq. Telephone: (212) 403-1000 Facsimile: (212) 403-2000 Email: rgmason@wlrk.com jsnam@wlrk.com

Dated: October 30, 2010
New York, New York

American Media Operations, Inc.
American Media, Inc.
American Media Consumer Entertainment, Inc.
American Media Consumer Magazine Group, Inc.
American Media Distribution & Marketing Group, Inc.
American Media Mini Mags, Inc.
American Media Newspaper Group, Inc.
American Media Property Group, Inc.
Country Music Media Group, Inc.
Distribution Services, Inc.
Globe Communications Corp.
Globe Editorial, Inc.
Mira! Editorial, Inc.
National Enquirer, Inc.
National Examiner, Inc.
Star Editorial, Inc.
Weider Publications, LLC

By: _____
Name: Christopher Polimeni
Title: Executive Vice President, Chief Financial Officer and Treasurer

Exhibit B

Restructuring Support Agreement

EXECUTION VERSION

Ladies and Gentlemen:

This letter agreement (this "Agreement"), dated as of October 30, 2010 sets forth certain terms and conditions pursuant to which American Media, Inc., a Delaware corporation (the "Parent") and American Media Operations, Inc., a Delaware corporation (the "Company" and, together with the Parent, the "American Media Parties") will propose a financial restructuring (the "Restructuring"), which, among other things, contemplates a restructuring of outstanding obligations of the American Media Parties' under (i) a $450 million term loan facility (the "Term Facility") under the Credit Agreement dated as of January 30, 2006, as amended and restated as of December 31, 2008, among the Company, the Parent, the lenders party thereto (the "Lenders"), JPMorgan Chase Bank, N.A., as Administrative Agent (the "Administrative Agent") and Deutsche Bank Securities Inc., as Syndication Agent (as further amended, modified or otherwise supplemented from time to time, the "Credit Agreement"); (ii) a $60 million revolving credit facility under the Credit Agreement (the "Revolving Facility"); (iii) 14% Senior Subordinated Notes due 2013 (the "Subordinated Notes"); (iv) 8 7/8% Senior Subordinated Notes due 2011 ("8 7/8% Notes"); and (v) 9% Senior PIK Notes due 2013 (the "PIK Notes", together with the Subordinated Notes and 8 7/8% Notes, the "Existing Notes"), in each case with the support of the holders of the Existing Notes signatory hereto (in such capacity, the "Participating Noteholders") and the holders of the American Media Parties' obligations under the Credit Agreement (the "Credit Agreement Obligations") signatory hereto (in such capacity, the "Consenting Lenders;" and together with the Participating Noteholders, collectively, in each and every capacity, except in any capacity referred to in Section 2(e) herein, in which such signatory is a holder of debt borrowed or equity issued by any American Media Party, the "Participating Parties").

Each American Media Party and each Participating Party and each person that becomes a party hereto in accordance with the terms hereof are collectively referred to as the "Parties" and individually as a "Party."

For purposes of this Agreement, the term the "Requisite Participating Noteholders" shall be defined as Participating Noteholders holding a two-thirds majority 66% in principal amount of the Subordinated Notes held by all of the Participating Noteholders. For purposes of this Agreement, the term the "Requisite Consenting Lenders" shall be defined as Consenting Lenders holding a two-thirds majority 66% in principal amount of the Credit Agreement Obligations held by all Consenting Lenders.

The parties hereto hereby agree as follows:

1. Proposed Restructuring

The principal terms of the Restructuring are set forth in the disclosure statement (a draft of which, in substantially final form, is attached hereto as Exhibit A) (the "Disclosure Statement") and the plan (a draft of which, in substantially final form is attached hereto as Exhibit B) (the "Plan") [1].

The American Media Parties intend to implement the Restructuring by commencing cases (the "Chapter 11 Cases") under chapter 11 of title 11 of the United States Code, 11 U.S.C. §§ 101 et seq. (the "Bankruptcy Code") in the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court"). As part of the Chapter 11 Cases, which may commence as "pre-packaged" or "pre-arranged" cases, the American Media Parties intend to file the Plan and the Plan-related documents (the "Plan Related Documents"), which shall include, but not be limited to, (A) a Disclosure Statement, (B) the materials related to the solicitation of votes for the Restructuring pursuant to sections 1125, 1126 and 1145 of the Bankruptcy Code (the "Solicitation"), and (C) any other documents or agreements required in connection with the Plan and Disclosure Statement as is necessary to consummate the Restructuring, including, but not limited to, (1) a shareholder agreement substantially in the form annexed hereto as Exhibit C, (2) any motion and proposed order relating to use of cash collateral held by the Administrative Agent under the Credit Agreement on the terms and conditions set forth in Exhibit E hereto (the "Financing Motion"), (3) definitive documentation relating to the New First Lien Financing (as defined in the Plan) and the New Second Lien Financing (as defined in the Plan) (including, without limitation, various releases of the existing liens and guarantees) and (4) any required post Effective Date organizational and governance documents. Each of the Plan Related Documents shall be in form and substance reasonably acceptable to the Requisite Participating Noteholders; provided, however, that (x) any Plan Related Documents that affect the treatment of the Credit Agreement Obligations shall be in form and substance reasonably acceptable to the Requisite Consenting Lenders and (y) the Financing Motion shall be in form and substance reasonably acceptable to (or has not been objected by) the Required Lenders (as defined in the Credit Agreement) and the Administrative Agent (each of the Plan Related Documents in the foregoing forms or with the foregoing required approvals are collectively referred to herein as the "Approved Plan Documents").

2. Representations of the Parties.

Each Party hereby represents and warrants to the other Parties that the following statements are true, correct and complete as of the date hereof:

---

[1] Capitalized terms not defined herein shall have the meaning ascribed to such terms in the Plan.

(a) It has all requisite corporate, partnership, limited liability company or similar authority to execute this Agreement and carry out the transactions contemplated hereby and perform its obligations contemplated hereunder; and the execution and delivery of this Agreement and the performance of such Party's obligations hereunder have been duly authorized by all necessary corporate, partnership, limited liability company or other similar action on its part.

(b) The execution, delivery and performance by such Party of this Agreement does not and shall not (i) violate (A) any provision of law, rule or regulation applicable to it or any of its subsidiaries or (B) its charter or bylaws (or other similar governing documents) or those of any of its subsidiaries or (ii) conflict with, result in a breach of or constitute (with due notice or lapse of time or both) a default under any material contractual obligation to which it or any of its subsidiaries is a party.

(c) This Agreement is the legally valid and binding obligation of such Party, enforceable against it in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws relating to or limiting creditors' rights generally or by equitable principles relating to enforceability or a ruling of the Bankruptcy Court.

(d) If such Party is an American Media Party, such American Media Party represents that the execution, delivery and performance by it of this Agreement does not and shall not require any registration or filing with, consent or approval of, or notice to, or other action to, with or by, any federal, state or other governmental authority or regulatory body, except such filing as may be necessary and/or required for approval by the Bankruptcy Court of such American Media Party's authority to implement this Agreement.

(e) Each Participating Party (A) is the beneficial owner of, or the nominee, investment manager, or advisor for beneficial holders of, the principal amount of the Existing Notes and/or the principal amount of the Credit Agreement Obligations in each case as reflected in such Participating Party's signature block to this Agreement (collectively, the "Subject Holdings"), which amount each American Media Party and each Participating Party understands and acknowledges is proprietary and confidential to such Participating Party but the aggregate amount held by all such Participating Parties each Participating Party agrees is not propriety or confidential; (B) has not assigned, pledged or granted a participation in or an option with respect to any of its Subject Holdings; (C) has the sole and legal right, power, and authority to dispose of its Subject Holdings; (D) has reviewed, or has had the opportunity to review, with the assistance of professional and legal advisors of its choosing, sufficient information and has had sufficient access to the American Media Parties necessary for it to agree to the Restructuring embodied in the Disclosure Statement and/or the Plan, as applicable; (E) represents and warrants that none of its Subject Holdings is subject to any voting trust or other agreement or arrangement or restriction with respect to voting or transfer, except for this Agreement and applicable law; and (F) is a "qualified institutional buyer" as defined under Rule 144A under the U.S. Securities Act of 1933, as amended. Notwithstanding anything to the contrary herein, for purposes of this Agreement,

"Participating Parties", "Consenting Lenders" and "Subject Holdings" shall not include (A) a holder of Credit Agreement Obligations signatory hereto in its capacity or to the extent of its holdings as a broker or market maker of Credit Agreement Obligations or any other claim against or security in the American Media Parties, (B) any subsidiary or affiliate of a holder of Credit Agreement Obligations signatory hereto (x) over which the holder of Credit Agreement Obligations does not have corporate authority or control or (y) whose credit decisions, including credit decisions to be bound by agreements such as this Agreement, under the internal policies or rules of such subsidiary or holder, are not subject to control by such holder, in each case to the extent of all of such subsidiary's holdings or (C) a holder of Credit Agreement Obligations signatory hereto or any subsidiary thereof to the extent of its holdings held in a fiduciary or other representative capacity.

3. Agreements of the Participating Parties

(a) Subject to the terms and conditions hereof and for so long as no Support Termination Event, as defined in Section 5 below, shall have occurred, and except as the American Media Parties may expressly release the Participating Parties in writing from any of the following obligations, each Participating Party shall, to the extent of its Subject Holdings:

(i) with respect to the Chapter 11 Cases, to the extent applicable, validly and timely deliver and not withdraw or change its ballot voting in favor of the Plan (when properly solicited to do so pursuant to the Disclosure Statement or other document that complies with Bankruptcy Code section 1125), provided that such ballot or vote may be revoked or withdrawn immediately upon the termination of this Agreement in accordance with Section 5 below;

(ii) not object to the Plan, to the extent applicable, or support directly or indirectly any objection to the Plan or otherwise take any action or commence any proceeding to oppose or to seek any modification of the Plan or, to the extent applicable, any of the Approved Plan Documents filed by the American Media Parties in connection with the Chapter 11 Cases and confirmation of the Plan;

(iii) not directly or indirectly seek, solicit, support, encourage, vote for, or consent to (i) any plan of reorganization, proposal, offer, dissolution, winding up, liquidation, reorganization, merger, consolidation, business combination, joint venture, partnership, sale of assets or restructuring for any of the American Media Parties (each, an "Alternative Proposal") other than the Plan or (ii) any other action that is inconsistent with, or that would delay or obstruct the Plan; and

(iv) forbear from exercising remedies with respect to existing defaults (if any) under the Credit Agreement, Subordinated Notes Indenture, 8 7/8% Notes Indenture and the PIK Notes Indenture or any

other agreement pursuant to which the American Media Parties has issued debt (including, without limitation, any defaults that may arise as a result of this Restructuring or any of the transactions contemplated by this Agreement).

The Parties agree that this Agreement does not constitute a commitment to, nor shall it obligate any of the Parties to, provide any new financing or credit support. For the avoidance of doubt, nothing herein shall in any way modify, alter or in any way implicate any financing commitment otherwise being provided by any of the parties hereto, which commitment, if any, shall be governed by the terms and conditions of the documents related thereto.

(b) Each Participating Party agrees that, as long as this Agreement has not terminated in accordance with its terms, it shall not sell, transfer, assign or otherwise dispose of any of its Subject Holdings, or any option thereon or any right or interest (voting or otherwise) in any or all of its Subject Holdings, unless the transferee, participant or other party (A) is, at the time of transfer, already a Participating Party or (B) is an "accredited investor" (as defined by Rule 501 of the Securities Act of 1933, as amended) and agrees in writing to assume and be bound by all of the terms of this Agreement (including, but not limited to, any transfer restrictions and/or conditions to transfer set forth in the underlying debt documents, Disclosure Statement and/or the Plan, as applicable) with respect to all Subject Holdings that such transferee, participant or other party currently holds or shall acquire in the future by executing the Joinder attached hereto as Exhibit D (such transferee, participant or other party, if any, to also be a "Participating Party" hereunder). If a transferee of any of the Subject Holdings is not a Participating Party or does not execute a Joinder in substantially the form attached hereto as Exhibit D and returns the same to the American Media Parties or their counsel at the address set forth herein within three (3) business days of the completion of such transfer, participation or other grant or otherwise agrees to be bound by all of the terms of this Agreement in a manner reasonably satisfactory to the American Media Parties, then such sale, transfer, assignment or other disposition of such Subject Holdings or related option, right or interest shall be deemed void ab initio. This Agreement shall in no way be construed to preclude any Participating Party from acquiring additional Existing Notes, Credit Agreement Obligations or any other Subject Holdings; provided, however, that any such additional holdings (except, in each case, to the extent any such additional holdings are excluded from the definition of "Subject Holdings" pursuant to the last sentence of Section 2(e) above) shall automatically be deemed to be subject to all of the terms of this Agreement and each such Participating Party agrees that such additional Existing Notes, Credit Agreement Obligations or other Subject Holdings shall be subject to this Agreement and that it shall vote (or cause to be voted) any such additional Existing Notes, Credit Agreement Obligations or other Subject Holdings entitled to vote on the Plan (in each case, to the extent still held by it or on its behalf at the time of such vote) in a manner consistent with this Section 3. Each Participating Party agrees to provide to counsel for the American Media Parties (i) a copy of any Joinder and (ii) a notice of the acquisition of any additional Subject Holdings, in each case within three (3) business days of the consummation of the transaction disposing of, or acquiring, the Subject Holdings.

(c) Each Consenting Lender agrees that, as long as this Agreement has not terminated in accordance with its terms, it will support the Financing Motion in the Bankruptcy Court, will permit the Company's use of cash collateral on substantially the terms and conditions set forth therein and will direct the Administrative Agent, subject to the indemnification provisions in the Credit Agreement, to execute and deliver any relevant documents and consents to effectuate the same.

4. Agreements of the American Media Parties

(a) Subject in all events to the rights of the American Media Parties under section 26 hereto, as long as this Agreement has not terminated in accordance with its terms, and except as the Participating Parties and the Requisite Consenting Lenders may expressly release the American Media Parties, as applicable, in writing from any of the following obligations,

(i) The American Media Parties hereby agree (A) to prepare or cause the preparation of the Plan and the Plan Related Documents, (B) provide draft copies of the Plan and the Plan Related Documents to counsels for the Committee and the Administrative Agent within a reasonable amount of time prior to the launch of the Solicitation, commencement of the Chapter 11 Cases, or execution of any such documents, as might be applicable, and (C) that they shall, except in an emergency where it is not reasonably practicable, provide draft copies of all motions, including "first day" motions, and applications and other documents the American Media Parties intend to file with the Bankruptcy Court to counsels for the Committee and the Administrative Agent as soon as reasonably practicable, but in no event less than three (3) business days before such documents are filed with the Bankruptcy Court, and shall consult in good faith with such counsel regarding the form and substance of any such proposed filing.

(ii) The American Media Parties agree to use commercially reasonable efforts to (A) support and complete the Restructuring and all other actions contemplated in connection therewith and under the Plan Related Documents, as applicable, (B) take any and all necessary and appropriate actions in furtherance of the Restructuring and the other actions contemplated under the Plan and the Plan Related Documents, (C) obtain any and all required regulatory approvals and third-party approvals for the Restructuring, and (D) not take any actions inconsistent with this Agreement, the Disclosure Statement, the Plan, the Approved Plan Documents and the confirmation and consummation of the Plan, to the extent applicable.

(iii) The American Media Parties shall use commercially reasonable efforts to cause each of their wholly-owned subsidiaries, that are debtors in the Chapter 11 Cases to (A) support and complete the Restructuring and all other actions contemplated in connection therewith

and under the Approved Plan Documents, (B) take any and all necessary and appropriate actions in furtherance of the Restructuring and the other actions contemplated under the Plan and the Approved Plan Documents, and (C) not take any actions inconsistent with this Agreement, the Disclosure Statement, the Plan, and the Approved Plan Documents.

(b) Subject in all events to the rights of the American Media Parties under section 26 hereto and the proviso in this paragraph, in accordance with the terms of the existing engagement letters, the American Media Parties shall pay all reasonable, actual and documented fees and expenses of Paul, Weiss, Rifkind, Wharton & Garrison LLP ("Paul Weiss"), counsel to the Committee, which are due and owing prior to the termination of this Agreement; provided, however, it is agreed and acknowledged by the parties hereto that the failure of the American Media Parties to make any payments to Paul Weiss pursuant to this paragraph shall not result in the right of any party to this Agreement to terminate this Agreement or cause specific performance of the items contained in this paragraph.

5. Termination of Obligations. This Agreement shall terminate and, except as otherwise provided herein, all obligations of the Parties hereto shall immediately terminate and be of no further force and effect as follows (each, a "Support Termination Event"),

(a) upon termination of this Agreement by the mutual written consent of the American Media Parties, the Requisite Participating Noteholders and the Requisite Consenting Lenders;

(b) upon the occurrence of any of the following, unless such Support Termination Event is waived or extended by the American Media Parties, the Requisite Participating Noteholders and the Requisite Consenting Lenders in writing;

(i) at 5:00 p.m. prevailing Eastern Time on November 8, 2010 unless the American Media Parties have commenced the Solicitation for the Chapter 11 Cases (the "Solicitation Commencement Date");

(ii) at 5:00 p.m. prevailing Eastern Time on the date that is thirty (30) business days after the Solicitation Commencement Date unless the Chapter 11 Cases have been commenced (the date that the Chapter 11 Cases are commenced is referred to herein as the "Commencement Date") and the American Media Parties have filed, and are pursuing confirmation of, the Plan, and have filed the Financing Motion;

(iii) at 5:00 p.m. prevailing Eastern Time on the date that is twenty (20) business days after the Commencement Date unless the Financing Motion has been approved by the Bankruptcy Court on an interim basis;

(iv) at 5:00 p.m. prevailing Eastern Time on the date that is twenty (20) business days after the Commencement Date unless the Escrow Motion (as defined in the Plan) has been approved by the Bankruptcy Court;

(v) at 5:00 p.m. prevailing Eastern Time on the date that is 65 calendar days after the Commencement Date unless the Plan has been confirmed by the Bankruptcy Court; provided that if the Company engages in post-petition solicitation with respect to the Plan, then the date that is 105 calendar days after the Commencement Date unless the Plan has been confirmed by the Bankruptcy Court;

(vi) at 5:00 p.m. prevailing Eastern Time on the date that is 30 calendar days following entry by the Bankruptcy Court of an order confirming the Plan if there has not occurred substantial consummation (as defined in section 1101 of the Bankruptcy Code) of the Plan on or before such date;

(vii) upon the entry of an order by the Bankruptcy Court (1) dismissing any of the Chapter 11 Cases, (2) converting any of the Chapter 11 Cases to a case under chapter 7 of the Bankruptcy Code, or (3) appointing a trustee or an examiner with expanded powers pursuant to section 1104 of the Bankruptcy Code in any of the Chapter 11 Cases;

(viii) the Bankruptcy Court grants relief that is inconsistent with this Agreement, the Disclosure Statement or the Plan in any material respect (in each case with such amendments and modifications as have been effected in accordance with the terms hereof);

(ix) the issuance by any governmental authority, including the Bankruptcy Court or any other regulatory authority or court of competent jurisdiction, of any ruling or order enjoining the consummation of a material portion of the Restructuring;

(x) the entry of an order by any court of competent jurisdiction invalidating, disallowing, subordinating, or limiting, in any respect, as applicable, the enforceability, priority, or validity of the Existing Notes or Credit Agreement Obligations; or

(xi) the occurrence of a Special Mandatory Redemption (as defined in the Engagement Letter (as defined in the Disclosure Statement)).

(c) upon the occurrence of any of the following, unless such Support Termination Event is waived or extended by the Requisite Participating Noteholders and the Requisite Consenting Lenders in writing;

(i) upon the filing by the American Media Parties of any motion or other request for relief seeking to (1) dismiss any of the Chapter 11 Cases, (2) convert any of the Chapter 11 Cases to a case under chapter 7 of the Bankruptcy Code, or (3) appoint a trustee or an examiner with expanded powers pursuant to section 1104 of the Bankruptcy Code in any of the Chapter 11 Cases, unless such motion or other request for relief is withdrawn prior to the earlier of (x) five (5) business days after filing such motion or other request for relief with the Bankruptcy Court and (y) entry of an order by the Bankruptcy Court approving the requested relief;

(ii) upon the withdrawal, amendment or modification by the American Media Parties of the Plan or any of the Approved Plan Documents or the filing of a pleading seeking to amend or modify the Plan or any of the Approved Plan Documents, which withdrawal, amendment, modification or filing is materially inconsistent with the Plan, including as it may relate to the treatment of the Participating Noteholders and/or the Consenting Lenders, as applicable (with such amendments and modifications as have been effected in accordance with the terms hereof) or is materially adverse to the Participating Noteholders and/or Consenting Lenders, as applicable, or if any of the American Media Parties files any motion or pleading with the Bankruptcy Court that is not consistent in any material respect with this Agreement or the Plan or any of the Approved Plan Documents (in each case with such amendments and modifications as have been effected in accordance with the terms hereof) and such motion or pleading has not been withdrawn prior to the earlier of (i) five (5) business days after the American Media Parties receive written notice from the Requisite Participating Noteholders and/or each Consenting Lender party hereto that such motion or pleading is inconsistent with this Agreement or the Plan or the Approved Plan Documents, as applicable, and (ii) the entry of an order of the Bankruptcy Court approving such motion; provided, that this Section 5(c)(ii) shall not apply with respect to any motion or pleading that is inconsistent with this Agreement if such motion or pleading is consistent with the Plan;

(iii) upon the discovery of any fraud committed by, or material dishonesty or misconduct of, any officer or director of any of the American Media Parties that has or is reasonably likely to have a material adverse effect on any Participating Noteholder and/or any Consenting Lender;

(iv) upon the material breach by any of the American Media Parties of any of the undertakings, representations, warranties or covenants of the American Media Parties set forth in this Agreement, including the American Media Parties' obligations under Section 4, which breach remains uncured for a period of five (5) business days after the receipt of written notice of such breach from the Requisite Participating Noteholders and/or the Requisite Consenting Lenders.

(d) unless such Support Termination Event is waived or extended by the American Media Parties in writing, upon the material breach by any of the Participating Noteholders and/or Consenting Lenders of any of their respective undertakings, representations, warranties or covenants set forth in this Agreement, which breach remains uncured for a period of five (5) business day after the receipt by the Participating Noteholder(s) and each Consenting Lender party hereto of notice of such breach from the American Media Parties.

Notwithstanding anything to the contrary herein, each Consenting Lender shall have the right to terminate its support for the Plan and its rights and obligations under this Agreement, upon the occurrence of any of the Support Termination Events described in Section 5(b) and (c)(ii) herein, as of the date hereof by providing written notice to the Parties hereto; provided, however, that such termination shall not in any way affect the rights and obligations of other Parties hereto.

For the avoidance of doubt, in the case of commencement of the Chapter 11 Cases, the Parties hereby waive any requirement under section 362 of the Bankruptcy Code to lift the automatic stay thereunder for purposes of providing notice under this Agreement (and agree not to object to any non-breaching Party seeking, if necessary, to lift such automatic stay in connection with the giving of any such notice).

Upon occurrence of a Support Termination Event, this Agreement shall forthwith become void and of no further force or effect, each Party hereto shall be released from its commitments, undertakings and agreements under or related to this Agreement and any of Approved Plan Documents, as applicable, and there shall be no liability or obligation on the part of any Party hereto; provided, however, that in no event shall any such termination relieve a Party hereto from (i) liability for its breach or non-performance of its obligations hereunder prior to the date of such termination and (ii) obligations under this Agreement which by their terms expressly survive any such termination; and provided, further that, notwithstanding anything to the contrary herein, any Support Termination Event may be waived or extended (as permitted by this Section 5) in accordance with the procedures established by Section 9 hereof, in which case the Support Termination Event so waived or extended shall be deemed not to have occurred, this Agreement shall be deemed to continue in full force and effect, and the rights and obligations of the Parties hereto shall be restored, subject to any modification set forth in such waiver or extension. Upon termination of this Agreement, any and all votes delivered by a Participating Party prior to such termination shall be deemed, for all purposes, to be null and void from the first instance and shall not be considered or otherwise used in any manner by the American Media Parties. Upon the occurrence of any Support Termination Event under this Agreement, the fees and expense reimbursements required by Section 4(b) hereof shall be payable only for work through the termination date.

6. Good Faith Cooperation; Further Assurances; Transaction Documents

Subsequent to the commencement of the Chapter 11 Cases, the American Media Parties and the Committee shall confer with the Office of the United States Trustee for the Southern District of New York and shall make reasonable efforts to ensure that no unsecured creditors' committee is appointed in any of the Chapter 11 Cases.

7. Remedies

All remedies that are available at law or in equity, including specific performance and injunctive or other equitable relief, to any Party for a breach of this Agreement by another Party shall be available to the non-breaching Party; provided, however, that if there is a breach of the Agreement by a Participating Party, money damages shall be an insufficient remedy to the other Participating Parties, and any Participating Party shall solely be entitled to seek specific performance as against another Participating Party; provided further that in connection with any remedy asserted in connection with this Agreement, each Party agrees to waive any requirement for the securing or posting of a bond in connection with any remedy. All rights, powers and remedies provided under this Agreement or otherwise available in respect hereof at law or in equity shall be cumulative and not alternative, and the exercise of any right, power or remedy thereof by any Party shall not preclude the simultaneous or later exercise of any other such right, power or remedy by such Party or any other Party.

8. [Reserved]

9. Amendments

(a) The Disclosure Statement, the Plan, and the Approved Plan Documents may be amended only upon written approval of (i) the American Media Parties, (ii) the Requisite Participating Noteholders, (iii) to the extent it relates to the Financing Motion (including any amendments to Exhibit E hereto that adversely affect the Consenting Lenders), the Required Lenders (as defined in the Credit Agreement) and (iv) to the extent it adversely affects the treatment of the Credit Agreement Obligations under the Plan, the Requisite Consenting Lenders; provided, however, that no amendment, waiver, modification or other supplement to the Disclosure Statement, the Plan, or the Approved Plan Documents may (A) impose less favorable treatment on any Participating Noteholder/Consenting Lender, or any group of Participating Noteholders/Consenting Lenders hereunder and under the Restructuring compared to those of the Participating Noteholders/Consenting Lenders generally, without such Participating Noteholder's/Consenting Lender's, or such group of Participating Noteholders'/Consenting Lender's express written consent, as applicable, or (B) materially and adversely affect the treatment of the Participating Noteholders/Consenting Lenders, as applicable, under the Plan without the written

consent of all of the Participating Noteholders/Consenting Lenders, as applicable, in each case in addition to express written consent of the American Media Parties.

(b) This Agreement may be amended only upon written approval of (i) the American Media Parties, (ii) subject to Section 9(c) and 9(d), the Requisite Participating Noteholders and (iii) each Consenting Lender, but only as contemplated by Section 9(e); provided, however, that (x) the consent of Required Lenders shall be required for amendments and modifications to Section 9(a)(iii), (y) the consent of Requisite Consenting Lenders shall be required for amendments and modifications to Section 9(a)(iv), and (z) the consent of each Consenting Lender shall be required for amendments and modifications to proviso in Section 9(a).

(c) Any amendment, modification or other supplement to any of the Plan Related Documents shall require the consent of the Requisite Participating Noteholders; provided, however, that any amendment, modification or other supplement to the Plan that provides for a treatment of the Participating Noteholders that is inconsistent with this Agreement shall require the consent of each Participating Noteholder as set forth in Section 9(d) below.

(d) Notwithstanding the foregoing, any of the following shall require the approval of each Participating Noteholder: (i) any amendment, modification, waiver or other supplement of or to this Agreement or the Disclosure Statement and the Plan that amends or modifies in any way the definition of Requisite Participating Noteholders as used in this Agreement; and (ii) any amendment, modification or other supplement to the Approved Plan Documents that materially and adversely affects the Participating Noteholders (in their capacity as holders of the Existing Notes).

(e) Any amendment, modification or other supplement of the following shall require the approval of each Consenting Lender: (1) the Approved Plan Documents to the extent it adversely affects the Consenting Lenders (in their capacity as holders of the Credit Agreement Obligations), (2) Section 5 herein, (3) this Agreement to the extent it modifies the obligations of the American Media Parties hereunder; and (4) the Plan to the extent it adversely affects the treatment afforded the Consenting Lenders thereunder.

(f) Any amendment, modification or other supplement to Exhibit E hereto shall require the consent of the Administrative Agent.

10. Independent Analysis

Each Participating Party hereby confirms that it has made its own decision to execute this Agreement based upon its own independent assessment of documents and information available to it, as it has deemed appropriate.

11. Governing Law

This Agreement shall be governed by, and construed in accordance with, the internal laws of the State of New York, without giving effect to the principles of

conflict of laws that would require the application of the law of any other jurisdiction. By its execution and delivery of this Agreement, each of the Parties hereto hereby irrevocably and unconditionally agrees for itself that any legal action, suit or proceeding against it with respect to any matter under or arising out of or in connection with this Agreement or for recognition or enforcement of any judgment rendered in any such action, suit or proceeding, may be brought in either a state or federal court of competent jurisdiction in the State and County of New York. By execution and delivery of this Agreement, each of the Parties hereto hereby irrevocably accepts and submits itself to the nonexclusive jurisdiction of each such court, generally and unconditionally, with respect to any such action, suit or proceeding. Notwithstanding the foregoing consent to jurisdiction in either a state or federal court of competent jurisdiction in the State and County of New York, upon the commencement of the Chapter 11 Cases, each of the Parties hereto hereby agrees that, if the petitions have been filed and the Chapter 11 Cases are pending, the Bankruptcy Court shall have exclusive jurisdiction of all matters arising out of or in connection with this Agreement. EACH PARTY HERETO UNCONDITIONALLY WAIVES TRIAL BY JURY IN ANY LEGAL ACTION OR PROCEEDING REFERRED TO ABOVE.

12. Effectiveness

This Agreement shall become effective and enforceable against each signatory to this Agreement when the American Media Parties, the Lenders holding in the aggregate at least 40% of the principal amount of the Credit Agreement Obligations and holders of the Existing Notes holding in the aggregate at least 66% of the principal amount of the Existing Notes have executed this Agreement.

13. Notices

All notices hereunder shall be deemed given if in writing and delivered, if sent by telecopy, electronic mail, courier, or registered or certified mail (return receipt requested) to the following addresses (or at such other addresses as shall be specified by like notice):

(a) if to any of the American Media Parties, to:

American Media, Inc.
One Park Avenue, 3rd Floor
New York, New York 10003
Attention: David Olson, Corporate Counsel
E-mail address: dolson@amilink.com

with a copy (which shall not constitute notice) to:

Akin Gump Strauss Hauer & Feld LLP
One Bryant Park
New York, New York 10036
Attention: Ira Dizengoff and Arik Preis

E-mail address: idizengoff@AkinGump.com
E-mail address: apreis@AkinGump.com

(b) if to the Committee or a Noteholder or a transferee thereof, to:

Paul, Weiss, Rifkind, Wharton & Garrison LLP
1285 Avenue of the Americas
New York, New York 10019
Attention: Andrew N. Rosenberg and
Tracey A. Zaccone
E-mail address: arosenberg@paulweiss.com
E-mail address: tzaccone@paulweiss.com

(c) if to Administrative Agent, to:

JPMorgan Chase Bank, N.A.
Loan and Agency Services Group
1111 Fannin Street
Houston, Texas 77002
Attention: Gloria Javier

with a copy (which shall not constitute notice) to:

Wachtell Lipton Rosen & Katz
51 W 52nd St
New York, New York 10019
Attention: Richard G. Mason and Jennifer Nam
E-mail address: RGMason@wlrk.com
E-mail address: JSNam@wlrk.com

(d) if to a Consenting Lender or a transferee thereof, to the address reflected in such Consenting Lender's signature block to this Agreement, or otherwise provided by such Consenting Lender to the American Media Parties.

14. Confidentiality

This Agreement, the Restructuring, the negotiations among the Parties hereto and any transactions contemplated hereby (collectively, "Confidential Information") shall be and remain confidential until the Solicitation Commencement Date has occurred, at which time this Agreement shall not remain confidential. Subject to the ability to disclose Confidential Information as premised by the previous sentence, no Party hereto may disclose any Confidential Information to any person (other than such party's professional advisors) without the prior written consent of the other Parties hereto, except to the extent that such Confidential Information is required to be disclosed

by applicable law or pursuant to an order of a court of competent jurisdiction or any other governmental authority or in connection with the American Media Parties' filing with the Bankruptcy Court, as determined by the American Media Parties in their reasonable discretion. For the avoidance of doubt, the American Media Parties reserve the right to file any document containing Confidential Information under seal with the Bankruptcy Court.

15. Reservation of Rights

Except as expressly provided in this Agreement, nothing herein is intended to, or does, in any manner waive, limit, impair or restrict the ability of each Party to protect and preserve its rights, remedies and interests, or its full participation in the Chapter 11 Cases. Without limiting the foregoing sentence in any way, after a Support Termination Event, the Parties hereto each fully reserve any and all of their respective rights, remedies and interests, subject to Section 5, in the case of any claim for breach of this Agreement. Furthermore, nothing in this Agreement shall be construed to prohibit any Party from appearing as a party-in-interest in any matter to be adjudicated in the Chapter 11 Cases so long as such appearance and the positions advocated in connection therewith are consistent with this Agreement, the Disclosure Statement and the Plan and are not for the purpose of, and could not reasonably be expected to have the effect of, hindering, delaying or preventing the consummation of the Restructuring. Notwithstanding any contained in this Agreement, this Agreement, the Disclosure Statement, the Plan and all other exhibits, schedules and appendices thereto are subject to Rule 408 of the Federal Rules of Evidence and shall not be admissible into evidence other than in a proceeding seeking to enforce their terms.

16. Rule of Interpretation

Notwithstanding anything contained herein to the contrary, it is the intent of the Parties that all references to votes or voting in this Agreement be interpreted to include (a) votes or voting on a plan of reorganization under the Bankruptcy Code and (b) all means of expressing agreement with, or rejection of, as the case may be, a restructuring or reorganization transaction that is not implemented under the Bankruptcy Code, in each case, after solicitation thereof pursuant to the Disclosure Statement or other document that meets the requirements of Bankruptcy Code section 1125.

17. Survival

Notwithstanding (i) any sale of the Existing Notes in accordance with Section 3(b) or sale of the Credit Agreement Obligations in accordance with Section 3(b) or (ii) the termination of this Agreement in accordance with its terms, the agreements and obligations of the Parties in Sections 4(b) (solely to the extent of fees and expenses accrued before termination),14, 15, 25 and 26 shall survive such sale and/or termination and shall continue in full force and effect for the benefit of the Parties in accordance with the terms hereof.

18. Successors and Assigns: Severability: Several Obligations

This Agreement is intended to bind and inure to the benefit of the Parties and their respective permitted successors, assigns, heirs, executors, estates, administrators and representatives. The invalidity or unenforceability at any time of any provision hereof in any jurisdiction shall not affect or diminish in any way the continuing validity and enforceability of the remaining provisions hereof or the continuing validity and enforceability of such provision in any other jurisdiction. The agreements, representations and obligations of the Participating Noteholders and Consenting Lenders under this Agreement are, in all respects, several and not joint.

19. Third-Party Beneficiary

This Agreement is intended for the benefit of the Parties hereto and no other person or entity shall be a third party beneficiary hereof or have any rights hereunder.

20. Counterparts

This Agreement may be executed in several counterparts, each of which shall be deemed to be an original, and all of which together shall be deemed to be one and the same agreement. Execution copies of this Agreement may be delivered by facsimile, electronic mail or otherwise, each of which shall be deemed to be an original for the purposes of this paragraph.

21. Entire Agreement

This Agreement constitutes the entire agreement of the Parties with respect to the subject matter hereof and supersedes all prior agreements (oral and written) and all other prior negotiations but shall not supersede the Disclosure Statement, Plan and, to the extent applicable, the Approved Plan Documents.

22. Headings

The section headings of this Agreement are for convenience of reference only and shall not, for any purpose, be deemed a part of this Agreement and shall not affect the interpretation of this Agreement.

23. Acknowledgment

This Agreement is not and shall not be deemed to be a solicitation of consents to the Plan. The acceptance of each of the Participating Noteholders and Consenting Lenders will not be solicited until the Participating Noteholders and the Consenting Lenders have received the Disclosure Statement or any other document that complies with Bankruptcy Code section 1125, and related ballot.

24. Reserved

25. Publicity

The Company will submit to counsels for the Committee and the Administrative Agent all written press releases, public filings, public announcements or other communications with any news media relating to this Agreement or the transactions contemplated hereby and any amendments thereof, at least five (5) hours before any such public release. The Company shall not (a) use the name of any Participating Party in any press release without such Participating Party's prior written consent or (b) disclose to any person, other than legal, accounting, financial and other advisors to the Company, the principal amount or percentage of the Existing Notes or Credit Agreement Obligations held by any Participating Party, or any of its respective subsidiaries; provided, however, that the Company shall be permitted to disclose at any time the aggregate principal amount of, and aggregate percentage of the Existing Notes and the Credit Agreement Obligations held by the Participating Parties, as a group. Notwithstanding the foregoing, the Participating Parties hereby consent to the disclosure by the American Media Parties in the Plan and the Approved Plan Documents, as applicable, as well as any required filings by the American Media Parties with the Bankruptcy Court or as otherwise required by law or regulation, of the execution, terms and contents of this Agreement and the aggregate principal amount of and aggregate percentage of the Existing Notes and Credit Agreement Obligations held by Participating Parties, as a group.

26. Fiduciary Duties

Notwithstanding anything to the contrary herein, nothing in this Agreement shall require the American Media Parties or their affiliated entities or any directors or officers of the American Media Parties or their affiliated entities, in such person's capacity as a director or officer of a the American Media Party or their affiliated entities, to take any action inconsistent with, or to refrain from taking any action consistent with, its or their fiduciary obligations under applicable law.

27. Conflicts Between the Disclosure Statement, the Plan and this Agreement.

In the event of any conflict among the terms and provisions in the Disclosure Statement, the Plan and this Agreement, the terms and provisions of the Disclosure Statement and the Plan shall control. Nothing contained in this Section 27 shall affect, in any way, the requirements set forth herein for the amendment of this Agreement and the Disclosure Statement, the Plan and the Approved Plan Documents set forth in Section 9 hereof.

28. Representation by Counsel

Each Party acknowledges that it has had the opportunity to be represented by counsel in connection with this Agreement and the transactions contemplated by this

Agreement. Accordingly, any rule of law or any legal decision that would provide any Party with a defense to the enforcement of the terms of this Agreement against such Party based upon lack of legal counsel, shall have no application and is expressly waived.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and delivered by their respective duly authorized officers, solely in their respective capacity as officers of the undersigned and not in any other capacity, as of the date first set forth above.

[Signature Pages Follow]

SIGNATURE PAGES MUST INCLUDE A LIST OF EVERY DEBT ISSUANCE OR EQUITY INTEREST OF ANY AMERICAN MEDIA PARTY HELD BY SIGNING PARTY, EXCEPT IN ANY CAPACITY REFERRED TO IN SECTION 2(E) HEREIN

AMERICAN MEDIA OPERATIONS, INC.

By: _____

Name: CHRISTOPHER POLIMENI

Title: EXECUTIVE VICE PRESIDENT - CHIEF FINANCIAL OFFICER & TREASURER

AMERICAN MEDIA, INC.

By: _____

Name: CHRISTOPHER POLIMENI

Title: EXECUTIVE VICE PRESIDENT – CHIEF FINANCIAL OFFICER & TREASURER

JPMorgan Chase Bank, N.A., but only with respect to its Credit Risk Management Group and its Credit Risk Management Group's holdings of Credit Agreement Obligations

By: _____

Name: Peter B. Thauer
Title: Executive Director

Principal Amount of Credit Agreement Obligations Held: [illegible]

CAPITAL RESEARCH AND
MANAGEMENT COMPANY, for and on
behalf of certain funds it manages

By: _____

Name: Michael J. Downer
Title: Senior Vice President and Secretary

Principal Amount of Subordinated Notes Held: _____

Principal Amount of PIK Notes Held: _____

Principal Amount of 8 7/8% Notes Held: _____

Principal Amount of Credit Agreement
Obligations Held: _____

AVENUE CAPITAL MANAGEMENT II, L.P., on behalf of:

AVENUE INVESTMENTS, L.P.

AVENUE INTERNATIONAL MASTER, L.P.

AVENUE-CDP GLOBAL OPPORTUNITIES FUND, L.P.

AVENUE SPECIAL SITUATIONS FUND IV, L.P.

AVENUE SPECIAL SITUATIONS FUND V, L.P.

By: AVENUE CAPITAL MANAGEMENT II, GENPAR LLC, its general partner

By: _____

Name: Sonia Gardner

Title: Member

Principal Amount of Subordinated Notes Held: __

Principal Amount of PIK Notes Held: _____

Principal Amount of 8 7/8% Notes Held: _____

Principal Amount of Credit Agreement Obligations Held: _____

Northwoods Capital IV, Limited

By: Angelo, Gordon & Co., L.P.,
as Collateral Manager

By: _____

Name: BRUCE MARTIN
Title: MANAGING DIRECTOR

Principal Amount of Subordinated Notes Held: _____

Principal Amount of PIK Notes Held: _____

Principal Amount of 8 7/8% Notes Held: _____

Principal Amount of Credit
Agreement Obligations Held: _____

Northwoods Capital V, Limited

By: Angelo, Gordon & Co., L.P.,
as Collateral Manager

By: _____

Name: BRUCE MARTIN
Title: MANAGING DIRECTOR

Principal Amount of Subordinated Notes Held: _____

Principal Amount of PIK Notes Held: _____

Principal Amount of 8 7/8% Notes Held: _____

Principal Amount of Credit
Agreement Obligations Held: _____

Northwoods Capital VI, Limited

By: Angelo, Gordon & Co., L.P.,
as Collateral Manager

By: _____

Name: BRUCE MARTIN
Title: MANAGING DIRECTOR

Principal Amount of Subordinated Notes Held: _____

Principal Amount of PIK Notes Held: _____

Principal Amount of 8 7/8% Notes Held: _____

Principal Amount of Credit
Agreement Obligations Held: _____

Northwoods Capital VII, Limited

By: Angelo, Gordon & Co., L.P.,
as Collateral Manager

By: _____

Name:
Title: BRUCE MARTIN
MANAGING DIRECTOR

Principal Amount of Subordinated Notes Held: _____

Principal Amount of PIK Notes Held: _____

Principal Amount of 8 7/8% Notes Held: _____

Principal Amount of Credit
Agreement Obligations Held: _____

Northwoods Capital VIII, Limited

By: Angelo, Gordon & Co., L.P.,
as Collateral Manager

By: _____

Name:
Title: BRUCE MARTIN
MANAGING DIRECTOR

Principal Amount of Subordinated Notes Held: _____

Principal Amount of PIK Notes Held: _____

Principal Amount of 8 7/8% Notes Held: _____

Principal Amount of Credit
Agreement Obligations Held: _____

AG Diversified Credit Strategies Master, L.P.

By: AG Diversified Credit Strategies GP, LLC, its General Partner
By: Angelo, Gordon & Co., L.P., its Manager

By: _____

Name: BRUCE MARTIN
Title: MANAGING DIRECTOR

Principal Amount of Subordinated Notes Held: _____

Principal Amount of PIK Notes Held: _____

Principal Amount of 8 7/8% Notes Held: _____

Principal Amount of Credit
Agreement Obligations Held: _____

JRG Reinsurance Company, Ltd.

By: Angelo, Gordon & Co., L.P.
as Investment Manager

By: _____

Name:
Title: BRUCE MARTIN
MANAGING DIRECTOR

Principal Amount of Subordinated Notes Held: _____

Principal Amount of PIK Notes Held: _____

Principal Amount of 8 7/8% Notes Held: _____

Principal Amount of Credit
Agreement Obligations Held: _____

AG Global Debt Strategy Partners, L.P.

By: Angelo, Gordon & Co., L.P.,
its Fund Advisor

By: _____

Name: BRUCE MARTIN
Title: MANAGING DIRECTOR

Principal Amount of Subordinated Notes Held: _____

Principal Amount of PIK Notes Held: _____

Principal Amount of 8 7/8% Notes Held: _____

Principal Amount of Credit
Agreement Obligations Held: _____

Summer Hill Fixed Income AG, LLC

By: Angelo, Gordon & Co., L.P.,
its Investment Manager

By: _____

Name:
Title: BRUCE MARTIN
MANAGING DIRECTOR

Principal Amount of Subordinated Notes Held: _____

Principal Amount of PIK Notes Held: _____

Principal Amount of 8 7/8% Notes Held: _____

Principal Amount of Credit
Agreement Obligations Held: _____

PHS PATRIOT FUND, L.P.

By: Angelo, Gordon & Co., L.P.,
its Investment Manager

By: _____
Name: Michael L. Gordon
Title: Authorized Signatory

Principal Amount of Subordinated Notes Held: _____

Principal Amount of PIK Notes Held: _____

Principal Amount of 8 7/8% Notes Held: _____

Principal Amount of Credit Agreement
Obligations Held: _____

AG PRINCESS, L.P.

By: Angelo, Gordon & Co., L.P.,
its Investment Manager

By: _____
Name: Michael L. Gordon
Title: Authorized Signatory

Principal Amount of Subordinated Notes Held: _____

Principal Amount of PIK Notes Held: _____

Principal Amount of 8 7/8% Notes Held: _____

Principal Amount of Credit Agreement
Obligations Held: _____

AG SUPER FUND, L.P.

By: Angelo, Gordon & Co., L.P.,
its Investment Manager

By: _____

Name: Michael L. Gordon
Title: Authorized Signatory

Principal Amount of Subordinated Notes Held: _____

Principal Amount of PIK Notes Held: _____

Principal Amount of 8 7/8% Notes Held: _____

Principal Amount of Credit Agreement|
Obligations Held: _____

AG GARDEN PARTNERS, L.P.

By: Angelo, Gordon & Co., L.P.,
its Investment Manager

By: _____
Name: Michael L. Gordon
Title: Authorized Signatory

Principal Amount of Subordinated Notes Held: _____

Principal Amount of PIK Notes Held: _____

Principal Amount of 8 7/8% Notes Held: _____

Principal Amount of Credit Agreement
Obligations Held: _____

AG SUPER FUND INTERNATIONAL
PARTNERS, L.P.

By: Angelo, Gordon & Co., L.P.,
its Investment Manager

By: _____
Name: Michael L. Gordon
Title: Authorized Signatory

Principal Amount of Subordinated Notes Held: _____

Principal Amount of PIK Notes Held: _____

Principal Amount of 8 7/8% Notes Held: _____

Principal Amount of Credit Agreement
Obligations Held: _____

NUTMEG PARTNERS, L.P.

By: Angelo, Gordon & Co., L.P.,
its Investment Manager

By: _____
Name: Michael L. Gordon
Title: Authorized Signatory

Principal Amount of Subordinated Notes Held: _____

Principal Amount of PIK Notes Held: _____

Principal Amount of 8 7/8% Notes Held: _____

Principal Amount of Credit Agreement
Obligations Held: _____

AG CAPITAL RECOVERY PARTNERS VI, L.P.

By: Angelo, Gordon & Co., L.P.,
its Investment Manager

By: _____
Name: Michael L. Gordon
Title: Authorized Signatory

Principal Amount of Subordinated Notes Held: _____

Principal Amount of PIK Notes Held: _____

Principal Amount of 8 7/8% Notes Held: _____

Principal Amount of Credit Agreement|
Obligations Held: _____

AG ELEVEN PARTNERS, L.P.

By: Angelo, Gordon & Co., L.P.,
its Investment Manager

By: _____
Name: Michael L. Gordon
Title: Authorized Signatory

Principal Amount of Subordinated Notes Held: _____

Principal Amount of PIK Notes Held: _____

Principal Amount of 8 7/8% Notes Held: _____

Principal Amount of Credit Agreement
Obligations Held: _____

AGCR V MASTER ACCOUNT, L.P.

By: Angelo, Gordon & Co., L.P.,
its Investment Manager

By: _____
Name: Michael L. Gordon
Title: Authorized Signatory

Principal Amount of Subordinated Notes Held: _____

Principal Amount of PIK Notes Held: _____

Principal Amount of 8 7/8% Notes Held: _____

Principal Amount of Credit Agreement
Obligations Held: _____

PHS BAY COLONY FUND, L.P.

By: Angelo, Gordon & Co., L.P.,
its Investment Manager

By: _____
Name: Michael L. Gordon
Title: Authorized Signatory

Principal Amount of Subordinated Notes Held: _____

Principal Amount of PIK Notes Held: _____

Principal Amount of 8 7/8% Notes Held: _____

Principal Amount of Credit Agreement
Obligations Held: _____

AG MM, L.P.

By: Angelo, Gordon & Co., L.P.,
its Investment Manager

By: _____
Name: Michael L. Gordon
Title: Authorized Signatory

Principal Amount of Subordinated Notes Held: _____

Principal Amount of PIK Notes Held: _____

Principal Amount of 8 7/8% Notes Held: _____

Principal Amount of Credit Agreement
Obligations Held: _____

AG CNG FUND, L.P.

By: Angelo, Gordon & Co., L.P.,
its Investment Manager

By: _____
Name: Michael L. Gordon
Title: Authorized Signatory

Principal Amount of Subordinated Notes Held: _____

Principal Amount of PIK Notes Held: _____

Principal Amount of 8 7/8% Notes Held: _____

Principal Amount of Credit Agreement
Obligations Held: _____

CREDIT SUISSE SECURITIES (USA) LLC

By: _____
Name: Robert Kricheff
Title: Managing Director

Principal Amount of Subordinated Notes Held:

Principal Amount of PIK Notes Held:

Principal Amount of 8 7/8% Notes Held:

Principal Amount of Credit Agreement
Obligations Held:

Exhibit A

(Disclosure Statement)

Exhibit B

(Plan)

Exhibit C

Stockholders' Agreement

AMERICAN MEDIA, INC.

STOCKHOLDERS' AGREEMENT

DATED AS OF _____ ___, 2010

TABLE OF CONTENTS

ARTICLE I DEFINITIONS; RULES OF CONSTRUCTION 1

1.1 Definitions.....1

1.2 Rules of Construction 11

ARTICLE II ISSUANCES AND TRANSFERS OF SECURITIES.....12

2.1 Issuances and Transfers of Securities 12

2.2 Right of First Offer 12

2.3 [RESERVED.].....14

2.4 Co-Sale Rights 14

2.5 Drag Along Right.....15

2.6 Minority Transfer Restrictions.....17

2.7 Certain Affiliate Transactions. 18

2.8 Stockholder Register. 19

ARTICLE III APPROVAL RIGHTS 19

3.1 Rights Offering 19

3.2 Mandatory Redemption of Common Stock. 19

3.3 Redemption Procedures. 20

3.4 Directors of Reduction. 22

ARTICLE IV BOARD OF DIRECTORS.....22

4.1 Election of Directors; Voting 22

4.2 Further Assurances.....24

ARTICLE V D&O INSURANCE.....24

5.1 D&O Insurance 24

ARTICLE VI REGISTRATION RIGHTS 25

6.1 Required Registration. 25

6.2 Piggyback Registration. 26

6.3 Registrations on Form S-3. 27

6.4 Holdback Agreement. 28

6.5 Preparation and Filing. 28

6.6 Expenses. 31

6.7 Indemnification. 31

6.8 Underwriting Agreement. 33

6.9 Information by Holder; Use of Prospectus. 34

6.10 Exchange Act Compliance. 34

ARTICLE VII CONFIDENTIALITY; INFORMATION RIGHTS; ACCESS TO INFORMATION 35

7.1 Confidentiality. 35

7.2 Information Rights. 35

ARTICLE VIII LEGENDS AND COMPLIANCE WITH SECURITIES LAWS 36

8.1 Restrictions on Transfer. 36

8.2 Restrictive Legends. 36

8.3 Additional Legend. 38

8.4 Limit on Number of Stockholders. 38

ARTICLE IX AMENDMENT AND WAIVER 40

9.1 Amendment. 40

9.2 Waiver. 40

ARTICLE X TERMINATION 40

ARTICLE XI MISCELLANEOUS 41

11.1 Severability. 41

11.2 Entire Agreement. 41

11.3 Independence of Agreements and Covenants 41

11.4 Successors and Assigns. 41

11.5 Counterparts; Facsimile Signatures; Validity. 42

11.6 Remedies. 42

11.7 Notices. 42

11.8 Governing Law; Jurisdiction. 43

11.9 Waiver of Jury Trial. 43

11.10 Further Assurances. 44

11.11 Third Party Reliance. 44

11.12 Termination of Prior Stockholders Agreement. 44

STOCKHOLDERS' AGREEMENT dated as of _____ ___, 2010 (as amended, modified, supplemented or restated from time to time, this "Agreement"), among American Media, Inc., a Delaware corporation (the "Company") and the stockholders of the Company signatory hereto from time to time.

WHEREAS, in connection with the financial restructuring of the Company and American Media Operations, Inc., its wholly-owned subsidiary ("AMOI"), pursuant to a proposed Exchange Offer (as defined below), the Company has agreed to issue common stock, par value $0.0001 per share (the "Common Stock"), to all the holders of the Company's Existing Notes (as defined below) participating in the Exchange Offer;

WHEREAS, the Company desires to enter into this Agreement to set forth the terms and conditions of ownership of its equity securities and the rights of certain holders thereof;

WHEREAS, as a result of the consummation of the financial restructuring of the Company pursuant to the Exchange Offer, as of the Effective Date (as defined below), the Stockholders of the Company that are original signatories hereto hold that number of shares of Common Stock as set forth on Schedule I hereto.

NOW, THEREFORE, in consideration of the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as set forth herein.

ARTICLE I

DEFINITIONS; RULES OF CONSTRUCTION

1.1 Definitions.

As used in this Agreement, the following terms shall have the meanings set forth below.

"Adjusted Percentage Ownership" means, with respect to any Stockholder, the fraction, expressed as a percentage, the numerator of which is the total number of shares of Common Stock held by such Stockholder and the denominator of which is the total number of shares of Common Stock issued and outstanding at the time of determination held by all Stockholders (excluding, from each of the numerator and the denominator above, any options, warrants, Restructuring Warrants, convertible debt obligations or similar Securities, and all Equity Incentive Shares).

"Administrative Agent" has the meaning specified in Section 2.4(d).

"Affiliate" means, with respect to any Person, any other Person that directly, or indirectly through one or more intermediaries, Controls, or is Controlled by, or is under common Control with, such Person and/or one or more Affiliates thereof.

"Agreement" has the meaning ascribed to it in the preamble.

"Alternative Majority Consent" means the consent of (i) any two (A) the Angelo Gordon Stockholders, (B) the Avenue Stockholders and (C) the Capital Research Stockholders and (ii) Holders of at least 67% of the Total Ownership Percentage; provided that if the Total Ownership Percentage of any of the Angelo Gordon Stockholders, the Avenue Stockholders and the Capital Research Stockholders is less than ten percent (10%), then Alternative Majority Consent shall mean the approval of Holders of at least 67% of the Total Ownership Percentage regardless of whether the Angelo Gordon Stockholders, the Avenue Stockholders or the Capital Research Stockholders are among the Holders that have consented.

"AMOI" has the meaning ascribed to it in the recitals.

"Angelo Gordon Stockholders" means, collectively, AG CNG Fund, L.P., AG MM, L.P., PHS Bay Colony Fund, L.P., AGCR V Master Account LP, AG Capital Recovery Partners VI, L.P., AG Eleven Partners, L.P., GAM Arbitrage Investments Inc., AG Garden Partners, L.P., AG Super Fund International Partners, L.P., Nutmeg Partners, L.P., PHS Patriot Fund, L.P., AG Princess, L.P., AG Super Fund, L.P. and their respective Affiliates, in each case, only with respect to each such Person for so long as such Person owns Stockholder Shares and has not received such Stockholder Shares in violation of the terms of this Agreement.

"Approved Sale" means a Transfer which would result in the Sale of the Company pursuant to which the Dragging Stockholders compel the other Stockholders to Transfer Stockholder Shares in accordance with Section 2.5.

"Approved Sale Notice" has the meaning ascribed to it in Section 2.5(b).

"Approved Warrant Sale" means an Approved Sale that also constitutes a "Sale of the Company" as defined in the Restructuring Warrant Agreement.

"Avenue Stockholders" means, collectively, Avenue Investments, L.P., Avenue – CDP Global Opportunities Fund, L.P., Avenue International Master, L.P., Avenue Special Situations Fund IV, L.P., Avenue Special Situations Fund V, L.P. and their respective Affiliates, in each case, only with respect to each such Person for so long as such Person owns Stockholder Shares and has not received such Stockholder Shares in violation of the terms of this Agreement.

"Business Day" means any day except a Saturday, a Sunday or any other day on which commercial banks are not required by law to be open in New York, New York.

"By-laws" means the by-laws of the Company, as amended, modified, supplemented or restated and in effect from time to time.

"Capital Research Stockholders" means, collectively, American High-Income Trust, The Bond Fund of America, Inc., The Income Fund of America, Inc., American Funds Insurance Series – Asset Allocation, American Funds Insurance Series – Bond Fund, American Funds Insurance Series – Global Bond Fund, American Funds Insurance Series – High-Income Bond Fund, Capital World Bond Fund, Inc., Qualcom Incorporated, Capital Guardian US High Yield Fixed Income Master Fund, CIF Global High Income Opportunities, Capital Guardian Global High Income Opportunities Fund and their respective Affiliates, in each case, only with respect

to each such Person for so long as such Person owns Stockholder Shares and has not received such Stockholder Shares in violation of the terms of this Agreement.

"Certificate" means the amended and restated certificate of incorporation of the Company, as amended, modified, supplemented or restated and in effect from time to time, including any certificates of designation, correction or amendment filed with the Secretary of State of the State of Delaware pursuant to the terms thereof.

"Commission" means the Securities and Exchange Commission and any other Governmental Authority at the time administering the Securities Act.

"Committee Holder" means each of the Avenue Stockholders, the Angelo Gordon Stockholders, the Credit Suisse Stockholders, and the Capital Research Stockholders.

"Common Stock" has the meaning ascribed to it in the recitals.

"Company" has the meaning ascribed to it in the preamble.

"Company Board" means the board of directors of the Company.

"Control" means, (including, with correlative meaning, the terms "controlling," "controlled by" and "under common control with") with respect to any Person, the possession, directly or indirectly, of the power to direct or cause the direction of the management, policies or investment decisions of such Person, whether through the ownership of voting Securities, by contract or otherwise.

"Control Transaction" has the meaning ascribed to it in Section 2.6(a).

"Control Transaction Notice" has the meaning ascribed to it in Section 2.6(a).

"Counterparty" has the meaning ascribed to it in Section 2.2 (f).

"Counterparty Excluded Information" has the meaning ascribed to it in Section 2.2 (f).

"Co-Sale/Drag Sale Percentage" means, with respect to any Stockholder, the fraction, expressed as a percentage, the numerator of which is the total number of shares of Common Stock proposed to be sold by Stockholders initiating a Transfer with respect to which co-sale rights under Section 2.4 or a requirement to sell under Section 2.5 apply and the denominator or which is the total number of shares of Common Stock held by such initiating Stockholders (excluding, from each of the numerator and the denominator above, any options, warrants, Restructuring Warrants, convertible debt obligations or similar Securities, and all Equity Incentive Shares).

"Co-Sale Notice" has the meaning ascribed to it in Section 2.4(a).

"Co-Sale Participant" means, as determined from time to time, (a) each Stockholder (other than a Transferring Stockholder) who is a Committee Holder as of the time of

determination and (b) if such Transfer would result in a Sale of the Company, then all Stockholders.

"Credit Suisse Stockholders" means, collectively, Credit Suisse Securities (USA) LLC and its Affiliates, in each case, only with respect to each such Person for so long as such Person owns Stockholder Shares and has not received such Stockholder Shares in violation of the terms of this Agreement.

"Cumulative Free Cash Flow" has the meaning ascribed to it in Section 3.2(a).

"Demand Registration Request" has the meaning ascribed to such term in Section 6.1(a).

"Dragged Stockholder" has the meaning ascribed to it in Section 2.5(a).

"Dragging Stockholders" has the meaning ascribed to it in Section 2.5(a).

"EBITDA" has the meaning ascribed to it in Section 3.2(c)(ii).

"Effective Date" means [ ], 2010.

"Eligible Information Recipient" has the meaning ascribed to it in Section 7.2(a).

"Eligible Stockholder" means, as determined from time to time, a Stockholder who is an "accredited investor" as such term is defined in Rule 501 of the Securities Act and who is a Committee Holder.

"Equity Incentive Plan" means, collectively, any plan or agreement established, or entered into, by the Company for the purposes of issuing Securities to any employee, officer, consultant or director of the Company or its Subsidiaries as compensation.

"Equity Incentive Shares" means Stockholder Shares issued pursuant to, or acquired in connection with, the terms of any Equity Incentive Plan.

"Exchange Act" means the Securities Exchange Act of 1934, as amended, or any successor Federal statute then in force, and the rules and regulations of the Commission promulgated thereunder, all as the same shall be in effect from time to time.

"Exchange Offer" means the tender offers and consent solicitations for the Existing Notes and related concurrent offering of Common Stock, pursuant to the terms set forth in the offering memorandum.

"Excluded Securities" means the following Securities issued by the Company at any time:

(a) Securities issued pursuant to any Equity Incentive Plan;

(b) Securities issued in connection with a debt financing by the Company or its Subsidiaries;

(c) Securities issued as a stock dividend or distribution or upon any stock split, reclassification, recapitalization or other subdivision or combination of Securities;

(d) Securities issued upon the exercise, conversion or exchange of any options, warrants (including the Restructuring Warrants) or any other derivative Securities of the Company issued in compliance with (or not otherwise in violation of) Section 3.1;

(e) Securities issued in connection with (i) the funding of an acquisition (whether by stock sale, merger, recapitalization, asset purchase or otherwise) of another Person (or portion thereof), or (ii) an Approved Sale; and

(f) Securities issued by the Company in an Initial Public Offering..

"Existing Notes" means AMOI's 14% Senior Subordinated Notes due 2013.

"Fair Market Value" means, with respect to the Stockholder Shares, the price that would be negotiated, in an arms length, free market transaction, for cash between a willing seller and a willing and able buyer, neither of whom is under undue pressure or compulsion to complete the transaction and without giving effect to any minority or liquidity discounts. For the purposes of Section 2.6, "Fair Market Value" shall be determined by an independent investment bank mutually selected by the Company Board and a majority of those Stockholders not participating directly or indirectly in the Control Transaction. The independent investment bank shall deliver its calculation of Fair Market Value to the Company and the participating Stockholders within 30 days of its appointment and its fees and expenses shall be paid by the Company.

"Form S-1", "Form S-3" "Form S-4" or "Form S-8" means a Registration Statement on Form S-1, a Registration Statement on Form S-4, a Registration Statement on Form S-4 or a Registration Statement on Form S-8, as appropriate, under the Securities Act or any successor forms thereto.

"Free Cash Flow" has the meaning ascribed to it in Section 3.2(c)(i).

"Governmental Authority" means any domestic or foreign government or political subdivision thereof, whether on a Federal, state or local level and whether executive, legislative or judicial in nature, including any agency, authority, board, bureau, commission, court, department or other instrumentality thereof.

"Indenture" means the Indenture, dated as of January 30, 2009, among American Media Operations, Inc., the note guarantors listed on the signature pages thereto, and Wilmington Trust FSB, as trustee, providing for the issuance of the Company's 14% Senior Subordinated Notes Due 2013, and any amendments, supplements, modifications, extensions, renewals, restatements, or refinancings thereof.

"Information" has the meaning ascribed to it in Section 6.5(i).

"Information Restrictions" has the meaning ascribed to it in Section 7.2(a).

"Initial Public Offering" means the first underwritten Public Offering.

"Inspectors" has the meaning ascribed to it in Section 6.5(i).

"Insurance Amount" has the meaning ascribed to it in Section 5.1.

"Joinder Agreement" has the meaning ascribed to it in Section 2.1(b).

"Majority Committee Holder Designated Director" has the meaning ascribed to it in Section 4.1(c).

"Majority Requisite Consent" means, at the time of determination, the approval of the Angelo Gordon Stockholders, the Avenue Stockholders and the Capital Research Stockholders; provided that if the Total Ownership Percentage of any of the Angelo Gordon Stockholders, the Avenue Stockholders and the Capital Research Stockholders is less than ten percent (10%), then Majority Requisite Consent shall mean the consent of the two remaining Holders; and provided further that if the Total Ownership Percentage of any two of (A) the Angelo Gordon Stockholders, (B) the Avenue Stockholders and (C) the Capital Research Stockholders is less than ten percent (10%), then Majority Requisite Consent shall mean the approval of Holders of at least 67% of the Total Ownership Percentage regardless of whether the Angelo Gordon Stockholders, the Avenue Stockholders or the Capital Research Stockholders are among the Holders that have consented.[1]

"Management Director" has the meaning ascribed to it in Section 4.1(b)(i).

"Management Stockholders" means the individuals set forth in Schedule IV and each other employee or officer of the Company or its Subsidiaries and any respective Permitted Family Transferee who owns Stockholder Shares and is a signatory hereto from time to time (including any other employee or officer of the Company or its Subsidiaries who hereafter becomes a party to this Agreement pursuant to a Joinder Agreement entered into in accordance with Section 2.1(b)), whether acquired through the Equity Incentive Plan or otherwise, in each case, only for so long as such Person owns Stockholder Shares and has not received such Stockholder Shares in violation of the terms of this Agreement. Any Person who is a "Management Stockholder" shall continue to be a Management Stockholder following such Person's termination of employment with the Company or its Subsidiaries if such Person continues to own Stockholder Shares following such termination of employment.

"Offer Final Notice" has the meaning ascribed to in Section 2.2(b).

"Offer Period" has the meaning ascribed to in Section 2.2(b).

"Offer to Purchase" has the meaning ascribed to it in Section 2.2(b).

"Offered Shares" has the meaning ascribed to it in Section 2.2(a).

---

[1] We will build in concept that if one of the three Stockholders listed in Majority Requisite Consent or Alterative Majority Requisite Consent falls below 10% and the Credit Suisse Stockholders are above 10%, then the Credit Suisse Stockholders shall replace such Stockholders for purposes of these Sections.

"Other Shares" means, at any time, those shares of Common Stock which do not constitute Registrable Shares or Primary Shares.

"Participating Stockholder" has the meaning ascribed to it in Section 2.6(a).

"Permitted Family Transferee" means, with respect to a Stockholder who is a natural Person, (a) the spouse or any lineal descendant (including any descendant by adoption) of such Stockholder, (b) any trust solely for the benefit of such Stockholder or the spouse or any lineal descendant (including any descendant by adoption) of such Stockholder, or (c) a family trust or partnership established solely for the benefit of such Stockholder or such Stockholder's spouse or any lineal descendant (including any descendant by adoption) for estate planning purposes, provided such trust, family trust or partnership remains under the Control of such Stockholder prior to such Stockholder's death or disability, but, in each case, only to the extent that such Transferee agrees to execute a Joinder Agreement and be bound by this Agreement.

"Permitted Holders" means (i) Angelo, Gordon & Co., L.P., (ii) Avenue Capital Management II, L.P., (iii) Capital Research and Management Company, Capital Guardian Trust Company and Capital International, Inc., (iv) Credit Suisse Securities (USA) LLC, (v) any Permitted Parent, (vi) any group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act or any successor provision) of which any of the Permitted Holders specified in clauses (i)-(iv) are members, and (vii) the respective Affiliates of each of the foregoing; provided that in the case of any group specified in clause (vi) above, without giving effect to such group, Permitted Holders specified in clauses (i)-(iv) and their respective Affiliates must collectively beneficially own a greater amount of the total voting power of the Voting Stock of AMI than the amount of the total voting power of the Voting Stock of AMI beneficially owned by any other member of such group.

"Permitted Parent" means any direct or indirect parent of the Company formed not in connection with, or in contemplation of, a transaction that, assuming such parent was not formed, after giving effect thereto would constitute a Sale of the Company.

"Permitted Transfer" means any Transfer of Stockholder Shares (a) to any Person (subject to the right of first offer set forth in Section 2.2 and the tag along rights set forth in Section 2.4), (b) pursuant to the exercise of tag along rights set forth in Section 2.4 or as required in connection with the exercise of drag-along rights as set forth in Section 2.5 or the exercise of put rights set forth in Section 2.6 or pursuant to a Transfer in connection with the exercise of registration rights set forth in Article VI, (c) if by a Stockholder who is not a natural Person, to an Affiliate of such Stockholder, or (d) if by a Stockholder who is a natural Person, to a Permitted Family Transferee of such Stockholder; provided that, in each case, such Transfer (taking into account any series of related transfers) (i) does not result in a violation of Article Fourth of the Certificate, (ii) does not result in a "Change of Control" as such term is defined in the Indenture and (iii) is otherwise completed in compliance with this Agreement.

"Person" shall be construed as broadly as possible and shall include an individual person, a partnership (including a limited liability partnership), a corporation, an association, a joint stock company, a limited liability company, a trust, a joint venture, an unincorporated organization and a Governmental Authority.

"Potential Majority Owner" has the meaning ascribed to it in Section 2.6(a).

"Primary Shares" means, at any time, the authorized but unissued shares of Common Stock or shares of Common Stock held in the treasury of the Company.

"Prospective Seller" has the meaning ascribed to it in Section 2.6(a).

"Prospectus" means the prospectus included in any Registration Statement, including any amendment or prospectus subject to completion, and any such prospectus as amended or supplemented by any prospectus supplement with respect to the terms of the offering of any portion of the Registrable Shares and, in each case, by all other amendments and supplements to such prospectus, including post-effective amendments, and in each case including all material incorporated by reference therein.

"Public Offering" means the closing of a public offering of Common Stock pursuant to a Registration Statement declared effective under the Securities Act (excluding any offering pursuant to Form S-8 or Form S-4 under the Securities Act or other publicly registered offering pursuant to the Securities Act pertaining to the issuance of equity securities or equity linked securities exercisable therefor under any Equity Incentive Plan).

"Put Notice" has the meaning ascribed to it in Section 2.6(a).

"Records" has the meaning ascribed to it in Section 6.5(i).

"Redemption" has the meaning ascribed to it in Section 3.2(b).

"Registrable Shares" means at any time, and with respect to any Stockholder, the shares of Common Stock held by, or issuable to, such Stockholder. As to any particular Registrable Shares, once issued, such Registrable Shares shall cease to be Registrable Shares (a) when an offering of such Registrable Shares has been registered under the Securities Act, the Registration Statement in connection therewith has been declared effective and such Registrable Shares have been disposed of pursuant to and in the manner described in such effective Registration Statement, (b) if eligible for sale without restriction under Rule 144 by the Holder of such Registrable Shares, (c) when such Registrable Shares shall be represented by certificates properly not bearing a legend restricting further Transfer under the Securities Act or (d) when such Registrable Shares have ceased to be outstanding.

"Registration Date" means the date upon which the Registration Statement filed by the Company to effect its Initial Public Offering shall have been declared effective by the Commission.

"Registration Expenses" has the meaning ascribed to it in Section 6.6.

"Registration Statement" means any registration statement of the Company that covers an offering of any of the Registrable Shares, and all amendments and supplements to any such Registration Statement, including post-effective amendments, in each case including the Prospectus contained therein, all exhibits thereto and all material incorporated by reference therein.

"Representative" means with respect to a particular Person, its Affiliates and its and their respective directors, officers, employees, agents, consultants, advisors or other representative of such Person, including legal counsel, accountants and financial advisors.

"Restructuring Warrants" means the warrants issued pursuant to the Restructuring Warrant Agreement.

"Restructuring Warrant Agreement" means the Warrant Agreement among the Company, American Stock Transfer & Trust Company, LLC, as warrant agent, and the initial holders of Restructuring Warrants issued thereunder, dated as of January 30, 2009.

"Restricted Securities" has the meaning ascribed to such term under "restricted securities" as defined in Rule 144(a)(3) under the Securities Act (or any successor rule).

"ROFO Offeree" means, as determined from time to time, each Stockholder (other than a Transferring Stockholder) who is a Committee Holder.

"Rule 144" means Rule 144 promulgated under the Securities Act or any successor rule thereto.

"Sale Offer" has the meaning ascribed to it in Section 2.2(a).

"Sale of the Company" means the occurrence of any of the following:

(a) the sale, lease or transfer, in one or a series of related transactions, of all or substantially all of the assets of the Company and its Subsidiaries, taken as a whole, other than to a Permitted Holder or to a Person with respect to which the Permitted Holders have the right or ability, by voting power, contract or otherwise, to elect or designate for election a majority of the board of directors of such Person or any direct or indirect holding company of such Person;

(b) (i) the Company becomes aware of (by way of a report or any other filing pursuant to Section 13(d) of the Exchange Act, proxy, vote, written notice or otherwise) that any "person" or "group" (within the meaning of Section 13(d)(3) or Section 14(d)(2) of the Exchange Act or any successor provision), other than the Permitted Holders, has become the "beneficial owner" (as defined in Rules 13d-3 of the Exchange Act, or any successor provision), by way of merger, consolidation or other business combination or purchase, of 50% or more of the total voting power of the Voting Stock of the Company or any direct or indirect parent company holding directly or indirectly 100% of the total voting power of the Voting Stock of the Company and (ii) the Permitted Holders do not have the right or ability, by voting power, contract or otherwise, to elect or designate for election a majority of the board of directors of the Company or such parent company; or

(c) the adoption by the stockholders of the Company of a plan or proposal for the liquidation or dissolution of the Company.

"Sale Price" has the meaning ascribed to it in Section 2.2(a).

"Securities" means "securities" as defined in Section 2(a)(1) of the Securities Act and includes, with respect to any Person, such Person's capital stock or other equity interests or any options, warrants or other securities that are directly or indirectly convertible into, or exercisable or exchangeable for, such Person's capital stock.

"Securities Act" means the Securities Act of 1933, as amended, or any successor Federal statute, and the rules and regulations of the Commission promulgated thereunder, all as the same shall be in effect from time to time.

"Significant Committee Holder" has the meaning ascribed to it in Section 4.1(d).

"Significant Committee Holder Designated Director" has the meaning ascribed to it in Section 4.1(d).

"Stockholders" means Persons (other than the Company), who are parties hereto, and shall include any other Person who hereafter becomes a party to this Agreement pursuant to a Joinder Agreement, in each case, only for so long as such Person owns Stockholder Shares and has not received such Stockholder Shares in violation of the terms of this Agreement.

"Stockholders' Counsel" has the meaning ascribed to it in Section 6.5(b).

"Stockholder Shares" means (a) any equity Securities of the Company (including the Common Stock) purchased or otherwise acquired by any Stockholder prior to, on or after the Effective Date (other than the Restructuring Warrants) and (b) any equity Securities issued or issuable directly or indirectly with respect to the Securities referred to in clause (a) above by way of conversion, exercise or exchange, stock dividend or stock split or in connection with a combination of shares, recapitalization, reclassification, merger, consolidation or other reorganization; provided, however, that any equity Securities issued with respect to the Restructuring Warrants upon any such conversion, exercise or exchange, recapitalization, reclassification, merger, consolidation or other reorganization will be deemed to be Stockholders Shares for all purposes under this Agreement.

"Subsidiary" means, at any time, with respect to any Person (the "Subject Person"), any other Person of which either (a) fifty percent (50.0%) or more of the Securities or other interests entitled to vote in the election of directors or comparable governance bodies performing similar functions or (b) fifty percent (50.0%) or more of an interest in the profits or capital of such Person, in each case, are at the time owned or Controlled directly or indirectly by the Subject Person or through one or more Subsidiaries of the Subject Person.

"Tag-Along Notice" has the meaning ascribed to it in Section 2.4(b).

"Third Party Sale" has the meaning ascribed to it in Section 2.2(d).

"Total Percentage Ownership" means, with respect to any Person, or group of Persons, the fraction, expressed as a percentage, the numerator of which is the total number of shares of Common Stock held by such Person, or group of Persons, and the denominator of which is the total number of shares of Common Stock issued and outstanding at the time of determination (excluding, from each of the numerator and the denominator above, any options, warrants,

Restructuring Warrants, convertible debt obligations or similar Securities and all Equity Incentive Shares).

"Transfer" of Securities shall be construed broadly and shall include any direct or indirect issuance (other than an issuance of Securities by the Company), sale, assignment, transfer, participation, gift, bequest, distribution, or other disposition thereof, or any pledge or hypothecation thereof, placement of a lien thereon or grant of a security interest therein or other encumbrance thereon, in each case whether voluntary or involuntary or by operation of law or otherwise. Notwithstanding anything to the contrary contained herein, Transfer shall not include the sale or transfer of Stockholder Shares by any Stockholder to the Company or pursuant to any employment, option, subscription or restricted stock purchase agreement between the Company and such Stockholder or any plan relating to the foregoing.

"Transferee" means a Person acquiring or intending to acquire Stockholder Shares through a Transfer.

"Transferor" means a Stockholder Transferring or intending to Transfer Stockholder Shares.

"Transferring Stockholder" has the meaning ascribed to it in Section 2.2(a).

"Trust" means in an irrevocable trust with a bank or trust company organized and in good standing under the laws of the United States of America or any State thereof, doing business in the Borough of Manhattan, The City of New York and having capital and surplus of not less than $50,000,000 according to its last published statement of condition for the pro rata benefit of the holders thereof.

"Warrant Drag Notice" has the meaning ascribed to it in the Restructuring Warrant Agreement.

1.2 Rules of Construction

The use in this Agreement of the term "including" means "including, without limitation." The words "herein," "hereof," "hereunder" and other words of similar import refer to this Agreement as a whole, including the schedules and exhibits, as the same may from time to time be amended, modified, supplemented or restated, and not to any particular section, subsection, paragraph, subparagraph or clause contained in this Agreement. All references to sections, schedules and exhibits mean the sections of this Agreement and the schedules and exhibits attached to this Agreement, except where otherwise stated. The title of and the section and paragraph headings in this Agreement are for convenience of reference only and shall not govern or affect the interpretation of any of the terms or provisions of this Agreement. The use herein of the masculine, feminine or neuter forms shall also denote the other forms, as in each case the context may require. Where specific language is used to clarify by example a general statement contained herein, such specific language shall not be deemed to modify, limit or restrict in any manner the construction of the general statement to which it relates. The language used in this Agreement has been chosen by the parties to express their mutual intent, and no rule of strict construction shall be applied against any party. In determining the number of Stockholder Shares held by any Holder as of the Effective Date, such Holder will be deemed to have then held the

Stockholder Shares listed on Schedule I hereto for such Holder as of the Effective Date. In determining whether any percentage thresholds hereunder are satisfied by a Stockholder, the holdings of each of the individual members of the groups comprising each of the Avenue Stockholders, the Angelo Gordon Stockholders, the Regiment Stockholders, the Credit Suisse Stockholders and the Capital Research Stockholders shall be aggregated with the other members of such group.

ARTICLE II

ISSUANCES AND TRANSFERS OF SECURITIES

2.1 Issuances and Transfers of Securities

(a) The provisions in this Article II shall apply to all Stockholder Shares now owned by any Stockholder or hereafter acquired by any Person, including Stockholder Shares acquired by reason of original issuance, dividend, distribution, exchange, conversion and acquisition of outstanding Stockholder Shares from another Person, and such provisions shall apply to any Stockholder Shares obtained by a Stockholder upon the exercise, exchange or conversion of any option, warrant or other derivative Security (including Equity Incentive Shares and the Restructuring Warrants).

(b) The Company shall not issue to any Person, nor register or permit to be registered in the stock books of the Company any Transfer of Stockholder Shares unless, as a condition to the issuance or Transfer of such Stockholder Shares, such Person, if not already a Stockholder, agrees to be bound by the terms of this Agreement as if such Person had executed this Agreement, upon which time such Person will become a party to, and be bound by and obligated to comply with the terms and provisions of, this Agreement as a "Stockholder". In furtherance of the foregoing, the Company may require any Person that is not already a Stockholder to execute and deliver a joinder agreement substantially in the form attached hereto as Exhibit A (a "Joinder Agreement").

(c) No Stockholder shall Transfer any Stockholder Shares unless such Transfer is a Permitted Transfer.

(d) Any attempt not in compliance with this Agreement to make any Transfer of all or any portion of Stockholder Shares shall be null and void and of no force and effect, the purported Transferee shall have no rights or privileges in or with respect to the Company, and the Company shall not give any effect in the Company's records to such attempted Transfer. In the case of a Transfer or attempted Transfer of any Stockholder Shares or other interest in the Company contrary to the provisions of the Agreement, the parties engaging or attempting to engage in such Transfer shall indemnify and hold harmless the Company and each of the Stockholders from all Losses that such indemnified Persons may incur (including legal fees and expenses) in enforcing the provisions of this Agreement.

2.2 Right of First Offer

(a) No Stockholder shall Transfer any of its Stockholder Shares, unless such Stockholder proposing to Transfer such Stockholder Shares (the "Transferring Stockholder")

shall first have delivered a written offer (a "Sale Offer") to the ROFO Offerees offering to Transfer to the ROFO Offerees the Transferring Stockholder's Stockholder Shares identified in the Sale Offer (the "Offered Shares") on the terms set forth therein. The Sale Offer shall specify (i) that such Transferring Stockholder desires to Transfer all or a portion of its Stockholder Shares (and the amount of such portion), (ii) the proposed sale price of the Offered Shares (the "Sale Price") and (iii) any other material terms and conditions of the proposed Transfer. Upon delivery of a Sale Offer, such Sale Offer shall be irrevocable unless and until the right of first offer provided for herein shall have been waived by the each ROFO Offeree or shall have expired in accordance with the terms hereof.

(b) Within ten (10) Business Days following its receipt of a Sale Offer (the "Offer Period"), each ROFO Offeree shall have the right to deliver a written notice (the "Offer to Purchase") to the Transferring Stockholder agreeing (i) to purchase the number of Offered Shares up to its Adjusted Percentage Ownership (excluding for the purposes of this calculation Stockholder Shares held by Stockholders who are not ROFO Offerees) of the total number or amount of Offered Shares and (ii) to offer to purchase up to its Adjusted Percentage Ownership (excluding for the purposes of this calculation Stockholder Shares held by Stockholders who are not ROFO Offerees) of the Offered Shares not subscribed for by ROFO Offerees (as further described below). Any Offered Shares not purchased by a ROFO Offeree shall be deemed to be re-offered to and accepted by the ROFO Offerees exercising their options specified in clause (ii) of the immediately preceding sentence with respect to the lesser of (x) the amount specified in their respective Offer to Purchase and (y) an amount equal to their respective Adjusted Percentage Ownership (excluding for the purposes of this calculation Stockholder Shares held by Stockholders who are not ROFO Offerees and those held by ROFO Offerees who have not exercised their option specified in clause (ii) of the immediately preceding sentence) with respect to such deemed re-offer. Such deemed re-offer and acceptance procedures described in the immediately preceding sentence shall be deemed to be repeated until either (i) all of the Offered Shares are accepted by the ROFO Offerees or (ii) no ROFO Offeree desires to subscribe for more of the Offered Shares. The Transferring Stockholder shall notify (the "Offer Final Notice") each ROFO Offeree within five (5) Business Days following the expiration of the Offer Period of the number of Offered Shares which such ROFO Offeree has agreed to purchase pursuant to the foregoing.

(c) Following receipt of an Offer to Purchase, the ROFO Offerees and the Transferring Stockholder shall consummate the transaction contemplated by the Sale Offer within thirty (30) days after receipt of the Offer Final Notice. At the closing of such Transfer, the ROFO Offerees and the Transferring Stockholder shall execute such documents as are otherwise necessary or appropriate to effectuate the Transfer.

(d) If no Offer to Purchase has been timely delivered under Section 2.2(b) or the ROFO Offerees have agreed to purchase less than all of the Offered Shares, the Transferring Stockholder shall be permitted to Transfer all, but not less than all, of the Offered Shares not subject to an Offer to Purchase on the terms and conditions set forth in the Sale Offer (a "Third Party Sale"), subject to compliance with Section 2.1(c) hereof; provided, that such Third Party Sale is consummated within sixty (60) days after the earlier to occur of (x) the waiver by all of ROFO Offerees of their option to purchase Offered Shares and (y) the expiration of the ten (10) Business Day period permitted for delivery of the Offer to Purchase; provided further that such

sixty (60) day period shall be extended to the extent required to allow compliance with the time periods set forth in Section 2.4. If such Third Party Sale is not consummated within such sixty (60) day period (including any permitted extensions thereof) for any reason, then the restrictions provided for in this Section 2.2 shall again become effective, and no Transfer of Offered Shares may be made thereafter by the Transferring Stockholder without again offering the same to the ROFO Offerees in accordance with this Section 2.2.

(e) The restrictions set forth in this Section 2.2 shall not apply to any Transfer of Stockholder Shares (i) by a Stockholder (A) that is a natural person, to a Permitted Family Transferee of such Stockholder, or (B) that is not a natural Person, to an Affiliate of such Stockholder, or (ii) pursuant to Sections 2.4(c), 2.5 and 2.6.

(f) Each Stockholder acknowledges with respect to any purchase or sale of offered Shares with any Committee Holder (or any of its Affiliates) that is entitled to designate one or more members of the Board of Directors (the "Counterparty") that (i) no Counterparty has made any representation or warranty, express or implied, regarding the Company; and (ii) a Counterparty may have, or may come into possession of, information with respect to the offered Shares, the Company or the Company's Affiliates that may constitute material non-public information or information that is not known to such Stockholder and that may be material to a decision to the purchase or sale of offered Shares (collectively, "Counterparty Excluded Information"), and that such Counterparty is not at liberty to disclose such information. A Counterparty shall have no liability to any Stockholder with respect to the nondisclosure of Counterparty Excluded Information. Such Stockholder irrevocably and unconditionally waives and releases the Counterparty and its Affiliates from all claims (whether for damages, rescission or any other relief), that it might have against the Counterparty whether under applicable securities laws or otherwise, with respect to the nondisclosure of Counterparty Excluded Information in connection with such purchase or sale transaction, and such Stockholder has agreed not to solicit or encourage, directly or indirectly, any other person to assert such a claim. Such Stockholder further confirms that it understands the significance of the foregoing waiver.

2.3 [RESERVED.]

2.4 Co-Sale Rights

(a) If at any time any Stockholder or group of Stockholders acting in concert propose to Transfer Stockholder Shares representing 5.0% or more of the then outstanding Common Stock in a transaction or series of related transactions to any Person (or group of Persons acting in concert) other than to their respective Affiliates or Permitted Family Transferees, as applicable, then at least ten (10) Business Days prior to the closing of such Transfer, the selling Stockholder(s) shall deliver a written notice (the "Co-Sale Notice") to each Co-Sale Participant offering such Co-Sale Participant the option to participate in such proposed Transfer by Transferring the Co-Sale/Drag Sale Percentage of Stockholder Shares (excluding, other than in connection with the Sale of the Company, Equity Incentive Shares) held by each such Co-Sale Participant. Such Co-Sale Notice shall specify in reasonable detail the identity of the prospective Transferee, the terms and conditions of the Transfer and the class and amount of Stockholder Shares proposed to be Transferred.

(b) Any Co-Sale Participant shall, within five (5) Business Days of the receipt of a Co-Sale Notice, have the right to deliver written notice (each, a "Tag-Along Notice") to the selling Stockholder(s) stating that such Co-Sale Participant wishes to participate in such proposed Transfer by Transferring a number of Stockholder Shares (excluding, other than in connection with the Sale of the Company, Equity Incentive Shares) up to the Co-Sale/Drag Sale Percentage of Stockholder Shares (excluding, other than in connection with the Sale of the Company, Equity Incentive Shares) held by each such Co-Sale Participant. Such Co-Sale Participant shall propose to include only Stockholder Shares (excluding, other than in connection with the Sale of the Company, Equity Incentive Shares) of the same class of Stockholder Shares being transferred by the selling Stockholder(s).

(c) If no Co-Sale Participant gives the selling Stockholder(s) a timely Tag-Along Notice with respect to the Transfer proposed in the Co-Sale Notice, the selling Stockholder(s) may thereafter Transfer the Stockholder Shares specified in the Co-Sale Notice on the terms and conditions set forth therein, subject to compliance with Section 2.1(c) hereof. If one or more Co-Sale Participants give the selling Stockholder(s) timely Tag-Along Notices, then the selling Stockholders shall use commercially reasonable efforts to cause the prospective Transferee(s) to agree to acquire all Stockholder Shares identified in all Tag-Along Notices that are given to the selling Stockholder(s) in accordance with the terms of this Section 2.4, upon the same terms and conditions as applicable to the selling Stockholder(s') Stockholder Shares, subject to compliance with Section 2.1(c) hereof. If the prospective Transferee(s) are unwilling or unable to acquire all Stockholder Shares proposed to be included in such sale upon such terms, then the selling Stockholders may elect either to cancel such proposed Transfer or to allocate the maximum number of Stockholder Shares that each prospective Transferee is willing to purchase among the selling Stockholder(s) and the Co-Sale Participants giving timely Tag-Along Notices in proportion to each such Stockholders' applicable Adjusted Percentage Ownership (excluding for the purposes of such calculation the Stockholder Shares held by Co-Sale Participants who have not timely delivered a valid Tag-Along Notice).

(d) This Section 2.4 shall not apply to any sale of Stockholder Shares pursuant to a Public Offering, or pursuant to Sections 2.2(c), 2.5, and 2.6.

2.5 Drag Along Right

(a) If Stockholders acting by Majority Requisite Consent propose to consummate a transaction or series of related transactions constituting a Sale of the Company (the "Dragging Stockholders") pursuant to an Approved Sale, such Dragging Stockholders shall have the right, at their option to require the other Stockholders (each a "Dragged Stockholder") to join in such Approved Sale by Transferring the Co-Sale/Drag Sale Percentage of Stockholder Shares proposed to be sold by the Dragging Stockholders, subject to the obligations in Section 2.5(c); provided that Alternative Majority Consent may be obtained if Majority Requisite Consent is not obtained. Each Stockholder shall consent to and raise no objections against (and, in any stockholder vote required with the respect to such Approved Sale, shall affirmatively vote all of its Stockholder Shares (if any) the Approved Sale, and if the Approved Sale is structured as a sale of the issued and outstanding equity Securities of the Company (whether by merger, recapitalization, consolidation or Transfer of Stockholder Shares or other Securities or otherwise), then each Dragged Stockholder shall waive any dissenters rights, appraisal rights or

similar rights in connection with such Approved Sale (if applicable), each Dragged Stockholder shall agree to sell his, her or its Stockholder Shares, subject to Section 2.5(c) below, on the terms and conditions as may be approved by the Dragging Stockholders. Each Dragged Stockholder and the Company (subject to applicable law and compliance by the Company Board with any fiduciary duties) shall take all necessary and desirable actions in connection with the consummation of the Approved Sale, including, but not limited to, the execution of such agreements and instruments and other actions necessary to provide the representations, warranties, indemnities, covenants, conditions, escrows and other provisions and agreements relating to such Approved Sale. Notwithstanding anything to the contrary contained herein, Sections 2.1, 2.2, 2.4, 2.6 and 2.7 and Articles III and VIII shall not apply in connection with an Approved Sale.

(b) The Dragging Stockholders shall deliver written notice to each Dragged Stockholder setting forth in reasonable detail the material terms (including price, time and form of payment and the identity of the Dragging Stockholders) of any Approved Sale (the "Approved Sale Notice") at least ten (10) Business Days prior to the consummation of such Approved Sale. Within five (5) Business Days following receipt of the Approved Sale Notice, each Dragged Stockholder shall deliver to the Dragging Stockholders written notice (in form and substance reasonably satisfactory to the Dragging Stockholders) setting forth such Dragged Stockholder's agreement to consent to and raise no objections against, or impediments to, the Approved Sale (including, waiving all dissenter's and similar rights, if applicable) and if the Approved Sale is structured as a sale of stock, to sell its Stockholder Shares on the terms and conditions set forth in the Approved Sale Notice; provided, however, that the failure by any Dragged Stockholder to deliver such written notice and/or consent to the Dragging Stockholders shall not in any manner relieve or otherwise affect the obligations of each Dragged Stockholder pursuant to this Section 2.5.

(c) The obligations of the Dragged Stockholders to participate in any Approved Sale pursuant to this Section 2.5 are subject to the satisfaction of the following conditions:

(i) subject to clause (ii) below, upon the consummation of the Approved Sale, each Stockholder shall receive the same proportion of the aggregate consideration from such Approved Sale that such holder would have received if such aggregate consideration had been distributed by the Company in complete liquidation pursuant to the rights and preferences set forth in the Certificate as in effect immediately prior to such Approved Sale;

(ii) if any Stockholder is given an option as to the form and amount of consideration to be received with respect to Securities in a class, all Stockholders of such class will be given the same option;

(iii) no Stockholder shall be obligated to pay more than his, her or its pro-rata amount (based on the amount of aggregate consideration received) of all reasonable expenses incurred by the Company in connection with a consummated Approved Sale;

(iv) any indemnification obligations for breaches of representations, warranties and covenants made by the Company and its Subsidiaries shall be pro-rata among the

Stockholders based on the aggregate consideration received with respect to the Stockholder Shares and capped at such Stockholders' pro rata share of the aggregate consideration received; and

(v) no Stockholder other than a Management Stockholder shall be required to sign on to any agreement restricting its ability to compete with the Company and its Subsidiaries.

(d) To the extent the Approved Sale is structured as a sale of all or substantially all of the assets of the Company on a consolidated basis, each Dragged Stockholder shall consent to and raise no objections against (and, in any stockholder vote required with respect to such Approved Sale, shall affirmatively vote all of its Stockholder Shares in favor of) such transaction and shall waive any dissenters rights, appraisal rights or similar rights in connection with such transaction.

2.6 Minority Transfer Restrictions

(a) If upon consummation of a proposed Transfer of Stockholder Shares the Transferee and its Affiliates (a "Potential Majority Owner") will Control 50.0% or more of the combined voting power of the outstanding voting Securities of the Company (a "Control Transaction"), the prospective Transferor(s) (the "Prospective Seller") and the Potential Majority Owner shall each immediately notify the Company and other Stockholders of such transaction upon becoming aware that such Transaction is a Control Transaction by delivering a written notice (a "Control Transaction Notice") specifying (i) that such Prospective Seller desires to Transfer all or a portion of its Stockholder Shares (and the amount of such portion) in a Control Transaction, (ii) the proposed sale price and (iii) any other material terms and conditions of the proposed Control Transaction. Each of the other Stockholders (a "Participating Stockholder") shall then be entitled, upon written notice (a "Put Notice") delivered to the Prospective Seller and the Potential Majority Owner within ten (10) Business Days of receipt of the Control Transaction Notice, to require the Potential Majority Owner to purchase all, but not less than all, of their Stockholder Shares upon the terms and conditions set forth in this Section 2.6. Such purchase shall be completed within 30 days following receipt of the Put Notice delivered by such Participating Stockholders to the Prospective Seller and the Potential Majority Owner.

(b) The purchase of Stockholder Shares pursuant to this Section 2.6 shall be at a price per Stockholder Share equal to the greater of (x) the price per Stockholder Share received by the Potential Seller in the Control Transaction and (y) the Fair Market Value of such Stockholder Shares.

(c) The Prospective Seller shall not complete the proposed Transfer of its Stockholder Shares unless and until the Potential Majority Owner has purchased all the Stockholder Shares of the other Participating Stockholders specified in each such Participating Stockholder's Put Notice on terms set forth in Section 2.6(b).

(d) Notwithstanding anything to the contrary contained herein, Sections 2.2 and 2.4 shall not apply in connection with a sale by the Participating Stockholders to the Potential Majority Owner pursuant to this Section 2.6.

2.7 Certain Affiliate Transactions.

(a) No Stockholder shall intentionally avoid its obligation under this Agreement by making one or more Transfers of Stockholder Shares to its respective Affiliates and then Transferring all or any portion of such Stockholders' interest in any such Affiliate (or a direct or indirect parent thereof).

(b) Any contract, commitment, arrangement or transaction between the Company or any of its Subsidiaries, on the one hand, and any Affiliate of the Company and any Affiliate thereof, on the other hand, shall be:

(i) approved by at least a majority of the disinterested directors of the Company Board (it being understood and agreed that the Company Board shall determine whether or not a director is a disinterested director for the purposes of this Section 2.7(b)(i) and any such determination by the Company Board shall be conclusive); and

(ii) approved by Majority Requisite Consent; provided that Alternative Majority Consent may be obtained if Majority Requisite Consent is not obtained; and provided, further however, for the purposes of this Section 2.7(b)(ii) only, to the extent a Committee Holder or an Affiliate of a Committee Holder is an interested party in such transaction, the shares of Common Stock held by such Committee Holder shall be disregarded in the calculation contemplated by clause (ii) of the definition of Alternative Majority Consent.

Notwithstanding the foregoing, the approvals set forth in this Section 2.7(b) shall not be required for:

1) transactions between or among the Company and its Subsidiaries not involving any other Affiliate;

2) payment of dividends approved by the Company Board;

3) issuance of Securities in accordance with the terms of the Restructuring Warrant Agreement or the New Warrant Agreement;

4) payment or prepayment of indebtedness, premiums, principal payments, fees, interest or similar payments when due for such indebtedness to the extent the incurrence of such indebtedness was not in violation of this Agreement;

5) any agreement or arrangement as in effect as of the Effective Date, or any amendment thereto (so long as any such amendment is not materially less favorable to the Company or any of its Subsidiaries when taken as a whole as compared to the applicable agreement or arrangement as in effect on the Effective Date);

6) the payment of reasonable and customary fees paid to, and indemnities provided on behalf of, officers, directors, employees or consultants of the Company or any of its Subsidiaries;

7) issuances or acquisitions of any Securities, or payments, pursuant to any Equity Incentive Plan;

8) the existence of, or the performance by the Company or any of its Subsidiaries of its obligations under the terms of this Agreement; and

9) transactions involving annual payments or annual consideration of less than $5,000,000; provided, however, this clause (9) shall not apply to any agreements with any Committee Holder or any investment fund affiliated with such Committee Holder that provides for the payment by the Company or any of its subsidiaries of management, advisory, monitoring or similar fees to such Committee Holder or any such investment fund.

2.8 Stockholder Register.

(a) Schedule I sets forth each Stockholder and the number and type of Stockholder Shares held by such Stockholder.

(b) The Company shall, or shall cause, Schedule I and, to the extent directed by a Stockholder, Schedule II to be amended from time to time to reflect the issuance of additional Stockholder Shares to any Stockholder or the Transfer or issuance of Stockholder Shares.

ARTICLE III

APPROVAL RIGHTS

3.1 Rights Offering. In the event that the Company proposes to issue any equity Securities to any existing equity holder (or its affiliates) of the Company, other than Excluded Securities, the Company must first obtain the consent of each of the Angelo Gordon Stockholders, the Avenue Stockholders and the Capital Research Stockholders, provided that (i) the consent of any of the Angelo Gordon Stockholders, the Avenue Stockholders or the Capital Research Stockholders shall not be required if such Stockholder does not have Total Percentage Ownership of at least ten percent (10.0%) and (ii) such consent shall not be required if the Board of Directors determines (as evidenced, subject to sections 3.4 and 3.5, by a resolution approved by not less than 8 out of 9 of the then current members of the Board of Directors) in the exercise of its business judgment, that the failure to make such issuance will have a material adverse effect on the Company; provided further, however, that the issuance of equity to fund an acquisition or investment shall not be considered a material adverse effect.

3.2 Mandatory Redemption of Common Stock.Within 45 days of the last day of each fiscal quarter (75 days after the year end quarter), the Company shall provide (through posting of such information on the Company's website) to each Stockholder a calculation of the Company's Free Cash Flow for (i) such fiscal quarter and (ii) all cumulative Free Cash Flow since September 30, 2010 (the "Cumulative Free Cash Flow").

(b) If the calculation of Free Cash Flow for the then current fiscal quarter provided pursuant to Section 3.2(a)(i) above indicates that the Company had positive Free Cash Flow, and only if the Company determines not to issue a dividend of at least 75% of the Cumulative Free

Cash Flow, then the Company shall, to the extent permitted by applicable law and not prohibited by the terms of indebtedness of the Company or any of its subsidiaries, redeem (the "Redemption"), on a pro rata basis, a portion of the then outstanding Common Stock utilizing at least 75% of the Cumulative Free Cash Flow, unless the Board of Directors determines (as evidenced, subject to section 3.4, by a resolution approved by not less than 66% of the then current members of the Board of Directors), in the exercise of its business judgment, that the making and/or consummation of the Redemption would have a material and adverse effect on the Company; provided that, if the Company is, as of the date of such calculation referred in to Section 3.2(a), prohibited pursuant to the terms of its then existing indebtedness from making such dividend or Redemption, then the Company may use such Free Cash Flow to repay the Company's then outstanding indebtedness; provided, further, that the Company will not be required to use amounts available to the Company pursuant to Sections _____[The RP Basket Sections] of the New First Lien Indenture or similar provisions of the successor financing to make such dividends or redemptions.

(c) For purposes of this Section 3.2:

(i) "Free Cash Flow" shall mean, with regard to any fiscal period, the Company's EBITDA for such period less working capital requirements, principal payments on indebtedness and capital leases, cash interest, cash taxes, and capital expenditures for such period, in each case calculated in accordance with generally acceptable accounting principles in the United States of America.

(ii) "EBITDA" shall have the meaning assigned to such term under the company's outstanding debt documents at the time of calculation, and consistent with historical calculations.

3.3 Redemption Procedures.The Company shall give notice of any Redemption by mail, postage prepaid, not less than 30 days nor more than 60 days prior to the date fixed for such redemption, to each holder of record of the Common Stock to be redeemed appearing on the stock books of the Company as of the date of such notice at the address of said holder shown therein. Such notice to any holder shall state the redemption date; the number of shares to be redeemed and the number (and the identification) of shares to be redeemed from such holder; the redemption price (which shall be determined by the Company Board), and the place where the shares to be redeemed shall be presented and surrendered for payment of the redemption price therefor. Any notice which is mailed in the manner herein provided shall be conclusively presumed to have been duly given, whether or not the stockholder receives such notice, and failure duly to give such notice by mail, or any defect in such notice, to any holder of shares of the Common Stock to be redeemed shall not affect the validity of the proceedings for the redemption of any other shares of the Common Stock.

(b) If notice of redemption of shares of Common Stock to be redeemed on a redemption date shall have been duly given, and if the Company deposits in cash the aggregate redemption price of such shares in a Trust for the pro rata benefit of the holders of such shares prior to such redemption date, then from and after the time of such deposit, or, if no such deposit is made, then upon such redemption date (if on or before such redemption date all funds in cash necessary for redemption of such shares shall have been set aside by the Company, separate and

apart from its other funds, in trust for the pro rata benefit of the holders of such shares, so as to be and continue to be available therefor), and notwithstanding that any certificate representing any such shares shall not have been surrendered for cancellation, (i) the holders of such shares shall cease to be stockholders with respect to such shares, (ii) such shares shall no longer be deemed to be outstanding and shall no longer be transferable on the books of the Company and (iii) such holders shall have no interest in or claim against the Company with respect to such shares except only the right to receive from the Company the amount payable on redemption thereof, without interest (or, in the case of such deposit, from such bank or trust company the funds so deposited, without interest), upon surrender of the certificates representing such shares on or after the redemption date (or, in the case of such deposit, at any time after such deposit). Any funds so deposited in a Trust and unclaimed at the end of two years from the date fixed for redemption shall, to the extent permitted by law, be repaid to the Company upon its request, after which the holders of such shares shall look only to the Company for payment thereof.

(c) Any Redemption shall be effected only out of funds legally available for such purpose. If on any date the Company is required to redeem any shares of Common Stock pursuant to a Redemption and does not have sufficient funds legally available to redeem all such shares on such date, the Company shall use any funds which are legally available to redeem such portion of all such shares pro rata (as nearly as may be) on such redemption date as such funds are sufficient therefor and shall redeem the remaining shares of Common Stock on the earliest practicable date next following the day on which the Company shall first have funds legally available for the redemption of such shares.

(d) The shares of Common Stock to be redeemed shall be determined pro rata among all holders of Common Stock, according to the respective number of shares of Common Stock held by such holders. In the event that less than all of the shares represented by any certificate evidencing shares of Common Stock are redeemed, the Company shall forthwith (or cause a transfer agent for the Common Stock to) issue a new certificate representing the unredeemed shares, in accordance with the provisions of this Article III, subject to the applicable escheat laws.

(e) Upon any redemption of shares of Common Stock, the shares of Common Stock so redeemed shall be cancelled and shall revert to authorized but unissued Common Stock, and the number of shares of Common Stock which the Company shall have authority to issue shall not be decreased by such redemption.

3.4 Reduction of Directors. For purposes of Sections 3.1 and 3.2 hereof, to the extent that (a) the Company has less than 9 current members of the Board of Directors, and (b) a Board of Directors resolution is required, then the 66% or 8 out of 9 requirements, as applicable, will be adjusted as set forth on Exhibit __ hereto

3.5 Reduction of Directors. For purposed of Section 3.1 hereof, no member of the Board of Directors shall be precluded from voting on a resolution because the Stockholder that designated such member may purchase equity securities in connection with an issuance under Section 3.1.

ARTICLE IV

BOARD OF DIRECTORS

4.1 Election of Directors; Voting

(a) The Stockholders and the Company acknowledge that the initial Company Board as of the Effective Date shall be composed of nine (9) directors who shall be the individuals set forth in Schedule III and for purpose of this Section 4.1, such directors (other than the Chief Executive Officer of the Company) shall be deemed to have been designated by the holder(s) set forth opposite such directors name on Schedule III.

(b) Following the Effective Date and subject to Section 4.1(a), each Stockholder hereby covenants and agrees to use commercially reasonable efforts to take all action within their power, including voting (or delivering written consents with respect to) their Stockholder Shares, to cause the number of directors constituting the Company Board to be nine (9) and at each annual meeting of the holders of any class of Stockholder Shares, and at each special meeting of the holders of any class of Stockholder Shares called for the purpose of electing directors of the Company, and at any time at which holders of any class of Stockholder Shares shall have the right to vote for or consent in writing to the election of directors of the Company, then, and in each such event, each Stockholder shall vote all of the Stockholder Shares owned by them for, or consent in writing with respect to such Stockholder Shares in favor of, the election of the Company Board constituted as follows:

(i) the individual holding the office of Chief Executive Officer of the Company from time to time (the "Management Director");

(ii) four (4) individuals designated by the Avenue Stockholders; provided that one (1) such individual shall (x) not be affiliated with the Avenue Stockholders and (y) be acceptable to the Capital Research Stockholders and the Angelo Gordon Stockholders so long as each such Stockholder is a Holder of at least ten percent (10%) of the Total Ownership Percentage);

(iii) two (2) individuals designated by the Angelo Gordon Stockholders; and

(iv) two (2) individuals designated by the Capital Research Stockholders;

provided, that (i) if the Avenue Stockholders have a Total Ownership Percentage of less then twenty percent (20%), then the number of designees to which the Avenue Stockholders are entitled pursuant to Section 4.1(b)(ii) shall be reduced to two(2) and (ii) if the Total Ownership Percentage of the Avenue Stockholders, the Angelo Gordon Stockholders or the Capital Research Stockholders is less than ten percent (10%), then such stockholder shall no longer be entitled to designate individuals pursuant to this Section 4.1(b).

(c) If a Significant Committee Holder loses the right to designate one or more directors of the Company Board or the individual then holding the office of Chief Executive Officer of the Company ceases to hold such office, any director vacancy (if any) created by such event shall be filled by Significant Committee Holders acting by Majority Requisite Consent (such directors, the "Majority Committee Holder Designated Directors"); provided that if:

(i) the Total Ownership Percentage of the Avenue Stockholders is less than twenty percent (20%) (the first date on which such Total Ownership Percentage is reached is the "Avenue First Threshold Date") and a Significant Committee Holder (the "Avenue Acquiring Significant Committee Holder") has acquired from the Avenue Stockholders a number of shares of Common Stock equal to at least the product of (A) 50.1% and (B) the number of shares of Common Stock owned by the Avenue Stockholders on the Effective Date minus the of shares of Common Stock owned by the Avenue Stockholders on the Avenue First Threshold Date, then such Acquiring Significant Committee Holder shall be entitled to designate two (2) directors in addition to what it would otherwise be entitled to designate pursuant to Section 4.1(b);

(ii) the Total Ownership Percentage of a Significant Committee Holder is less than ten percent (10%) (the first date on which such Total Ownership Percentage is reached is the "Threshold Date") and a Significant Committee Holder (which may be the Avenue Acquiring Significant Committee Holder) (the "Acquiring Significant Committee Holder") has acquired from such Significant Committee Holder a number of shares of Common Stock equal to at least the product of (A) 50.1% and (B) the number of shares of Common Stock owned by (1) such Significant Committee Holder on the Effective Date if such Significant Committee Holder is the Angelo Gordon Stockholders or the Capital Research Stockholders or (2) such Significant Committee Holder on the Avenue First Threshold Date if such Significant Committee Holder is the Avenue Stockholders, in each minus the of shares of Common Stock owned by such Significant Committee Holder on the Threshold Date, then such Acquiring Significant Committee Holder shall be entitled to designate two (2) directors in addition to what it would otherwise be entitled to designate pursuant to Section 4.1(b);

(iii) if neither clause (i) or (ii) is applicable and the Credit Suisse Stockholders are a Holder of at least ten percent (10%) of the Total Ownership Percentage, then the Credit Suisse Stockholders shall be considered a Significant Committee Holder and entitled to designate one director of the Company; and

(iv) if Majority Requisite Consent is required but cannot be obtained then such director vacancy shall be filled by the Significant Committee Holders acting by the

Majority of the Total Ownership Percentage held by the Significant Committee Holders except that in such case the Majority Committee Holder Designated Director so nominated may not be affiliated with any Significant Committee Holder or the Company.

(d) Each Significant Committee Holder (as defined below) shall have the exclusive right to cause the removal and appointment of their respective designees to the Company Board as well as the exclusive right to cause the filling of vacancies created by reason of death, disability, removal or resignation of their respective designees to the Company Board, subject to the limitation set forth in the proviso to Section 4.1(b) hereof. In order to effect the rights granted by this Section 4.1(d), the directors (subject to their fiduciary duties) and the Company shall, or, in the case the directors fail to so act, the Stockholders shall use commercially reasonable efforts to take all action within their power, including voting (or delivering written consents with respect to) their Stockholder Shares, (i) to remove any Significant Committee Holder Designated Director (as defined below) or Majority Committee Holder Designated Director whose removal is requested by the applicable Significant Committee Holder who designated such Significant Committee Holder Designated Director or Committee Holders sufficient to constitute a Majority Requisite Consent, respectively, and (ii) to promptly fill any vacancy created by the death, disability, removal, or resignation of a director, in each case for the election of a new Significant Committee Holder Designated Director or Majority Committee Holder Designated Director designated by such Person or group of Persons who has the right to cause the filling of such vacancy. The Company (subject to the fiduciary duties of the directors) and the Stockholders shall, if the Company Board fails to act, fill any vacancies of the Company Board, in accordance with this Section 4.1, as soon as practicable following the date such vacancy is created. For the purposes of this Section 4.1(d), a "Significant Committee Holder" means each of the Avenue Stockholders, the Angelo Gordon Stockholders and the Capital Research Stockholders so long as it is a Holder of at least ten percent (10%) of the Total Ownership Percentage, and each director designated by each of the foregoing pursuant to Section 4.1(b) hereof is referred to herein as a "Significant Committee Holder Designated Director".

(e) The Company shall pay all fees, charges and expenses (including travel and related expenses) reasonably incurred by each of the members of the Company Board in connection with (i) attending the meetings of the Company Board and (ii) conducting any other Company business requested by the Company.

4.2 Further Assurances

If requested by the Committee Holders acting by Majority Requisite Consent, the Company (to the extent permitted by law) and each Stockholder shall take all action possible to ensure that at all times the board of directors and board of managers of each Subsidiary of the Company shall have the same composition as the Company Board.

ARTICLE V

D&O INSURANCE

5.1 D&O Insurance

Until the sixth anniversary of the Effective Date, the Company shall, and shall cause AMOI, to cause the individuals serving as directors of the Company, AMOI or any of their respective Subsidiaries to be covered following the Effective Time by the directors' and officers' liability insurance policies maintained by the Company immediately prior to the Effective Time (provided that the Company and/or AMOI may substitute therefor policies of at least the same coverage and amounts containing terms and conditions that are not less advantageous in any material respect than such policy); provided that in no event shall the Company or AMOI be required to expend annually in the aggregate an amount in excess of 150.0% of the annual premiums currently paid by Company for such insurance (the "Insurance Amount"), and provided further that if the Company is unable to maintain such policy (or such substitute policy) as a result of the preceding proviso, the Company shall obtain as much comparable insurance as is available for the Insurance Amount.

ARTICLE VI

REGISTRATION RIGHTS

6.1 Required Registration.

(a) Except as limited by Section 6.1(b), if at any time and from time to time, the Company shall be requested in writing by Committee Holders constituting a Majority Requisite Consent (or, if Majority Requisite Consent is not obtained, by Alternative Majority Consent) to effect the registration under the Securities Act of an offering of Registrable Shares held by such Stockholders specifying the number of Registrable Shares to be so registered by each requesting Committee Holder and whether such offering shall be an underwritten offering (a "Demand Registration Request"), then the Company shall promptly give written notice to all Stockholders of its intention to register the Registrable Shares subject to the Demand Registration Request and, upon the written request of any Stockholder (given within ten (10) Business Days after delivery of any such notice to each Stockholder by the Company) to include in such registration any of its Registrable Shares (which request shall specify the number of Registrable Shares proposed to be included in such registration), and the Company shall, promptly use its commercially reasonable efforts to effect a registration under the Securities Act of an offering of all the Registrable Shares that the Company has been so requested to register for sale in accordance with this Section 6.1(a).

(b) Anything contained in Section 6.1(a) to the contrary notwithstanding, the Company shall not be obligated to use its commercially reasonable efforts to file and cause to become effective (i) more than five (5) registration statements pursuant to a Demand Registration Request made on the Company pursuant to Section 6.1(a), (ii) any Registration Statement during any period in which any other registration statement (other than on Form S-4 or Form S-8) pursuant to which Primary Shares are to be or were offered and sold has been filed and not withdrawn or has been declared effective within the prior ninety (90) days (180 days in the case of the Initial Public Offering) and Section 6.2 is applicable. Any registration initiated pursuant to a Demand Registration Request shall not count as a registration for purposes of this Section 6.1(b) unless and until such registration shall have become effective.

(c) With respect to any registration pursuant to Section 6.1(a), the Company shall give notice of such registration to the holders of Registrable Shares hereunder who do not request registration hereunder and the Company may include in such registration any Primary Shares or Other Shares; provided, however, that if the managing underwriter advises the Company that the inclusion of all Registrable Shares, Primary Shares and Other Shares proposed to be included in such registration would materially adversely affect the offering and sale (including pricing) of all such Securities, then the number of Registrable Shares, Primary Shares and Other Shares proposed to be included in such registration shall be included in the following order:

(i) first, Registrable Shares (excluding Equity Incentive Shares) owned by the Stockholders, pro rata based upon the number of Registrable Shares (excluding Equity Incentive Shares) owned by each such Stockholder at the time of such registration;

(ii) second, the Primary Shares; and

(iii) third, the Other Shares.

(d) If any offering pursuant to a Demand Registration Request involves an underwritten offering, the Committee Holders acting by Majority Requisite Consent shall select the managing underwriter or underwriters to administer the offering, which managing underwriters shall be a firm of nationally recognized standing reasonably acceptable to the Company.

(e) A registration undertaken by the Company pursuant to a Demand Registration Request will not count as a Demand Registration Request for purposes of Section 6.1(b)(i) if the Committee Holders constituting Majority Requisite Consent withdraw the Demand Registration Request and promptly reimburses the Company for all fees, costs and expenses incurred by the Company in connection with such withdrawn Demand Registration Request.

(f) Notwithstanding the foregoing, the Company may delay the filing or effectiveness of any registration of Registrable Shares on Form S-3 pursuant to Section 6.1(a) if at the time of such request (i) the Company is engaged, or has fixed plans to engage within 15 days following receipt of such request, in a firm commitment underwritten public offering of Primary Shares in which the holders of Registrable Shares have been or will be permitted to include all the Registrable Shares so requested to be registered pursuant to Section 6.2(a) or (ii) the Company Board reasonably determines that such registration and offering would interfere with any material transaction involving the Company; provided, however, that the Company may not exercise its rights in Sections 6.1(f) and 6.3(b), in the aggregate, more than once in any 12 month period.

6.2 Piggyback Registration.

(a) If the Company at any time proposes for any reason to register Registrable Shares, Primary Shares or Other Shares under the Securities Act (other than on Form S-4 or Form S-8) other than pursuant to a registration initiated in accordance with Sections 6.1 or 6.3, it shall promptly give written notice to each Stockholder of its intention to register such Registrable Shares, the Primary Shares or Other Shares and, upon the written request of any Stockholder

(given within ten (10) Business Days after delivery of any such notice to each Stockholder by the Company) to include in such registration Registrable Shares (which request shall specify the number of Registrable Shares proposed to be included in such registration), the Company shall use its best efforts to cause all such Registrable Shares requested to be included in such registration to be included on the same terms and conditions as the Securities otherwise being sold in such registration; provided, however, that if the managing underwriter advises the Company that the inclusion of all Registrable Shares, Primary Shares or Other Shares proposed to be included in such registration would interfere with the successful offering and sale (including pricing) of all such Securities, then the number of Primary Shares, Registrable Shares and Other Shares proposed to be included in such registration shall be included in the following order:

(i) first, the Primary Shares;

(ii) second, the Registrable Shares (excluding Equity Incentive Shares) owned by the Stockholders requesting that their Registrable Shares be included in such registration pursuant to the terms of this Section 6.2, pro rata based upon the number of Registrable Shares (excluding Equity Incentive Shares) owned by each such Stockholder at the time of such registration; and

(iii) third, the Other Shares.

(b) The Company shall have the right to terminate any registration initiated pursuant to this Section 6.2 by the Company.

(c) Each Stockholder agrees to keep any information it receives from the Company pursuant to this Article VI, including any written notice pursuant to Section 6.1(a) or 6.2(a), confidential until it is publicly disclosed. Each Stockholder acknowledges that trading on material non-public information is a violation of the United States securities laws, and each Stockholder agrees not to do so in respect of its Registrable Shares.

6.3 Registrations on Form S-3.

(a) At such time as the Company shall have qualified for the use of Form S-3 under the Securities Act or any successor form thereto, Stockholders collectively holding at least 1.0% of the outstanding Registrable Shares shall have the right to request an unlimited number of registrations of Registrable Shares on Form S-3 (which may, at such holders' request, be shelf registrations pursuant to Rule 415 promulgated under the Securities Act) or its successor form, which request or requests shall (i) specify the number of Registrable Shares intended to be Transferred and the holders thereof, (ii) state whether the intended method of Transfer of such Registrable Shares is an underwritten offering or a shelf registration and (iii) relate to Registrable Shares having an aggregate gross offering price (not taking into account underwriters discounts and commissions) of at least $10,000,000, and upon receipt of such request, the Company shall use its commercially reasonable efforts to promptly effect the registration under the Securities Act of the Registrable Shares so requested to be registered. A requested registration on Form S-3 in compliance with this Section 6.3(a) shall not count as a registration statement initiated pursuant to Section 6.1(b)(i).

(b) Notwithstanding the foregoing, the Company may delay the filing or effectiveness of any registration of Registrable Shares on Form S-3 pursuant to Section 6.3(a) if at the time of such request (i) the Company is engaged, or has fixed plans to engage within 15 days following receipt of such request, in a firm commitment underwritten public offering of Primary Shares in which the holders of Registrable Shares have been or will be permitted to include all the Registrable Shares so requested to be registered pursuant to Section 6.2(a) or (ii) the Company Board reasonably determines that such registration and offering would interfere with any material transaction involving the Company; provided, however, that the Company may not exercise its rights in Sections 6.1(f) and 6.3(b), in the aggregate, more than once in any 12 month period.

6.4 Holdback Agreement.

If the Company at any time shall register an offering and sale of shares of Common Stock under the Securities Act in an underwritten offering pursuant to an Initial Public Offering, no Stockholder who sells in such offering and no Management Stockholder shall sell, make any short sale of, grant any option for the purchase of, or otherwise Transfer any Securities of the Company (other than (i) those Registrable Shares included in such registration pursuant to Section 6.1 or 6.2, (ii) a Transfer to an Affiliate or (iii) subject to the consent of the underwriters, a Permitted Transfer) without the prior written consent of the Company for a period as shall be determined by the managing underwriters, which period cannot begin more than seven (7) days prior to the effectiveness of such Registration Statement and cannot last more than one-hundred eighty days after the effective date of such Registration Statement (subject to customary extensions if the Company issues an earnings release or material news or a material event occurs, in each case, during the last 17 days of the 180-day period).

6.5 Preparation and Filing.

If and whenever the Company is under an obligation pursuant to the provisions of this Agreement to effect the registration of an offering and sale of any Registrable Shares, the Company shall, as expeditiously as practicable:

(a) use its commercially reasonable efforts to cause a Registration Statement that registers such offering of Registrable Shares to become and remain effective for a period of 180 days or until all of such Registrable Shares have been disposed of (if earlier);

(b) furnish, at least five (5) Business Days before filing a Registration Statement that registers such Registrable Shares, a Prospectus relating thereto and any amendments or supplements relating to such Registration Statement or Prospectus, to one counsel (the "Stockholders' Counsel") selected by the majority in number of the Committee Holders, copies of all such documents proposed to be filed (it being understood that such five (5) Business Day period need not apply to successive drafts of the same document proposed to be filed so long as such successive drafts are supplied to such counsel in advance of the proposed filing by a period of time that is customary and reasonable under the circumstances), and shall use its reasonable best efforts to reflect in each such document, when so filed with the Commission, such comments as the Stockholders whose Registrable Shares are to be covered by such Registration Statement may reasonably propose;

(c) prepare and file with the Commission such amendments and supplements to such Registration Statement and the Prospectus used in connection therewith as may be necessary to keep such Registration Statement effective for a period of at least 180 days or until all of such Registrable Shares have been disposed of (if earlier) and to comply with the provisions of the Securities Act with respect to the offering and sale or other disposition of such Registrable Shares;

(d) notify the Stockholders' Counsel promptly in writing of (i) any comments by the Commission with respect to such Registration Statement or Prospectus, or any request by the Commission for the amending or supplementing thereof or for additional information with respect thereto; (ii) the issuance by the Commission of any stop order suspending the effectiveness of such Registration Statement or Prospectus or any amendment or supplement thereto or the initiation of any proceedings for that purpose; and (iii) the receipt by the Company of any notification with respect to the suspension of the qualification of such Registrable Shares for sale in any jurisdiction or the initiation or threatening of any proceeding for such purposes;

(e) use its commercially reasonable efforts to register or qualify such Registrable Shares under such other securities or "blue sky" laws of such jurisdictions as any seller of Registrable Shares reasonably requests and do any and all other acts and things that may reasonably be necessary or advisable to enable such seller of Registrable Shares to consummate the disposition in such jurisdictions of the Registrable Shares owned by such seller; provided, however, that the Company will not be required to qualify generally to do business, subject itself to general taxation or consent to general service of process in any jurisdiction where it would not otherwise be required to do so but for this Section 6.5(e);

(f) furnish to each seller of such Registrable Shares such number of copies of a summary Prospectus or other Prospectus, including a preliminary Prospectus, in conformity with the requirements of the Securities Act, and such other documents as such seller of Registrable Shares may reasonably request in order to facilitate the public offering and sale or other disposition of such Registrable Shares;

(g) use its commercially reasonable efforts to cause such offering and sale of Registrable Shares to be registered with or approved by such other Governmental Authority as may be necessary by virtue of the business and operations of the Company to enable the seller or sellers thereof to consummate the disposition of such Registrable Shares;

(h) notify on a timely basis each seller of such Registrable Shares at any time when a Prospectus relating to such Registrable Shares is required to be delivered under the Securities Act within the appropriate period mentioned in Section 6.5(b) of the happening of any event as a result of which the Prospectus included in such Registration Statement, as then in effect, includes an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading in light of the circumstances then existing and, at the request of such seller, prepare and furnish to such seller a reasonable number of copies of a supplement to or an amendment of such Prospectus as may be necessary so that, as thereafter delivered to the offerees of such shares, such Prospectus shall not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or

necessary to make the statements therein not misleading in light of the circumstances then existing;

(i) make available for inspection by any seller of such Registrable Shares, any underwriter participating in any disposition pursuant to such Registration Statement and any attorney, accountant or other agent retained by any such seller or underwriter (collectively, the "Inspectors"), all pertinent financial, business and other records, pertinent corporate documents and properties of the Company (collectively, the "Records"), as shall reasonably be necessary to enable them to exercise their due diligence responsibility, and cause the Company's officers, directors and employees to supply all information (together with the Records, the "Information") reasonably requested by any such Inspector in connection with such Registration Statement (and any of the Information that the Company determines in good faith to be confidential, and of which determination the Inspectors are so notified, shall not be disclosed by the Inspectors unless (i) the disclosure of such Information is necessary to avoid or correct a misstatement or omission in the Registration Statement; (ii) the release of such Information is ordered pursuant to a subpoena or other order from a court of competent jurisdiction; (iii) such Information has been made generally available to the public; or (iv) the seller of Registrable Shares agrees that it will, upon learning that disclosure of such Information is sought in a court of competent jurisdiction, give notice to the Company and allow the Company, at the Company's expense, to undertake appropriate action to prevent disclosure of the Information deemed confidential);

(j) use its best efforts to obtain from its independent certified public accountants a "cold comfort" letter in customary form and covering such matters of the type customarily covered by cold comfort letters;

(k) use its best efforts to obtain, from its counsel, an opinion or opinions in customary form;

(l) provide a transfer agent and registrar (which may be the same entity and which may be the Company) for such Registrable Shares;

(m) issue to any underwriter to which any seller of Registrable Shares may sell shares in such offering certificates evidencing such Registrable Shares;

(n) list such Registrable Shares on any national securities exchange on which any shares of the Common Stock are listed or, if the Common Stock is not listed on a national securities exchange, use its commercially reasonable efforts to qualify such Registrable Shares for quotation on such national securities exchange as the holders of a majority of such Registrable Shares included in such registration shall request;

(o) otherwise use its commercially reasonable efforts to comply with all applicable rules and regulations of the Commission, and make available to its security holders, as soon as reasonably practicable but not later than eighteen (18) months after the effective date, earnings statements (which need not be audited) covering a period of twelve (12) months beginning within three (3) months after the effective date of the Registration Statement, which earnings statements shall satisfy the provisions of Section 11(a) of the Securities Act and Rule 158 thereunder; and

(p) use its commercially reasonable efforts to take all other steps necessary to effect the registration of such Registrable Shares contemplated hereby.

6.6 Expenses.

Except as set forth in Section 6.1(e), all expenses incident to the Company's performance of or compliance with Sections 6.1, 6.2, 6.3, 6.5 and 6.10, including without limitation (a) all registration and filing fees, and any other fees and expenses associated with filings required to be made with any stock exchange and the Commission; (b) all fees and expenses of compliance with state securities or "blue sky" laws (including fees and disbursements of counsel for the underwriters or Stockholders in connection with "blue sky" qualifications of the Registrable Shares and determination of their eligibility for investment under the laws of such jurisdictions as the managing underwriters may designate); (c) all printing and related messenger and delivery expenses (including expenses of printing certificates for the Registrable Shares in a form eligible for deposit with The Depository Trust Company) and of printing prospectuses, (d) all fees and disbursements of counsel for the Company and of all independent certified public accountants of the issuer (including the expenses of any special audit and "cold comfort" letters required by or incident to such performance); (e) Securities Act liability insurance if the Company so desires; (f) all fees and expenses incurred in connection with the listing of the Registrable Shares on any securities exchange and all rating agency fees; (g) all reasonable fees and disbursements of the Stockholders' Counsel to represent such Persons in connection with such registration; (h) all fees and disbursements of underwriters customarily paid by the issuer or sellers of Securities, excluding underwriting discounts and commissions and transfer taxes, if any, and fees and disbursements of counsel to underwriters (other than such fees and disbursements incurred in connection with any registration or qualification of Registrable Shares under the securities or "blue sky" laws of any state); and (i) fees and expenses of other Persons retained by the Company (all such expenses being herein called "Registration Expenses"), will be borne by the Company, regardless of whether the Registration Statement becomes effective. In addition, the Company will, in any event, pay its internal expenses (including, without limitation, all salaries and expenses of its officers and employees performing legal or accounting duties), the expense of any audit and the fees and expenses of any Person, including special experts, retained by the Company.

6.7 Indemnification.

(a) In connection with any registration of any offering and sale of Registrable Shares under the Securities Act pursuant to this Agreement, the Company shall indemnify and hold harmless the seller of such Registrable Shares, each underwriter, broker or any other Person acting on behalf of such seller, each other Person, if any, who controls any of the foregoing Persons within the meaning of the Securities Act and each Representative of any of the foregoing Persons, against any losses, claims, damages or liabilities, joint or several, to which any of the foregoing Persons may become subject, whether commenced or threatened, under the Securities Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon an untrue statement or alleged untrue statement of a material fact contained in the Registration Statement under which such Registrable Shares were registered, any preliminary Prospectus or final Prospectus contained therein, any amendment or supplement thereto or any document incident to registration or qualification of any offering and

sale of any Registrable Shares, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading or, with respect to any Prospectus, necessary to make the statements therein in light of the circumstances under which they were made not misleading, or any violation by the Company of the Securities Act or state securities or "blue sky" laws applicable to the Company and the Company shall promptly reimburse such seller, underwriter, broker, controlling Person or Representative for any legal or other expenses incurred by any of them in connection with investigating or defending any such loss, claim, damage, liability or action; provided, however, that the Company shall not be liable to any such Person to the extent that any such loss, claim, damage or liability arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in said Registration Statement, preliminary Prospectus, amendment thereto, or any document incident to registration or qualification of any Registrable Shares in reliance upon and in conformity with written information furnished to the Company through an instrument duly executed by such Person, or a Person duly acting on their behalf, specifically for use in the preparation thereof.

(b) In connection with any registration of an offering and sale of Registrable Shares under the Securities Act pursuant to this Agreement, each seller of Registrable Shares shall indemnify and hold harmless (in the same manner and to the same extent as set forth in Section 6.7(a)) the Company, each underwriter or broker involved in such offering, each other seller of Registrable Shares under such Registration Statement, each Person who controls any of the foregoing Persons within the meaning of the Securities Act and any Representative of the foregoing Persons with respect to any untrue statement or allegedly untrue statement in or omission or alleged omission from such Registration Statement, any preliminary Prospectus or final Prospectus contained therein, any amendment or supplement thereto or any document incident to registration or qualification of any such offering and sale of Registrable Shares, if such statement or omission was made in reliance upon and in conformity with written information furnished to the Company or such underwriter through an instrument duly executed by such seller or a Person duly acting on such Seller's behalf specifically for use in connection with the preparation of such Registration Statement, preliminary Prospectus, final Prospectus, amendment or supplement; provided, however, that the maximum amount of liability in respect of such indemnification shall be limited, in the case of each seller of Registrable Shares, to an amount equal to the net proceeds actually received by such seller from the sale of Registrable Shares effected pursuant to such registration.

(c) Promptly after receipt by an indemnified party of notice of the commencement of any action involving a claim referred to in the preceding paragraphs of this Section 6.7, such indemnified party will, if a claim in respect thereof is made against an indemnifying party, give written notice to the latter of the commencement of such action (provided, however, that an indemnified party's failure to give such notice in a timely manner shall only relieve the indemnification obligations of an indemnifying party to the extent such indemnifying party is materially prejudiced by such failure). In case any such action is brought against an indemnified party, the indemnifying party will be entitled to participate in and to assume the defense thereof, jointly with any other indemnifying party similarly notified to the extent that it may wish, with counsel reasonably satisfactory to such indemnified party, and after notice from the indemnifying party to such indemnified party of its election to assume the defense thereof, the indemnifying party shall not be responsible for any legal or other expenses subsequently incurred by the

indemnified party in connection with the defense thereof; provided, however, that if counsel to any indemnified party shall have reasonably concluded in writing that there may be one or more legal or equitable defenses available to such indemnified party which are in addition to or in conflict with those available to the indemnifying party, or that such claim or litigation involves or could have an effect upon matters beyond the scope of the indemnity agreement provided in this Section 6.7, the indemnifying party shall not have the right to assume the defense of such action on behalf of such indemnified party and such indemnifying party shall reimburse such indemnified party and any Person controlling such indemnified party for that portion of the fees and expenses of any one lead counsel (plus appropriate special and local counsel) retained by the indemnified party that are reasonably related to the matters covered by the indemnity agreement provided in this Section 6.7. In the event any indemnified party is conducting the defense of any action pursuant to this Section 6.7(c), no such action may be settled without the prior written consent of the indemnifying party (which shall not be unreasonably withheld). Furthermore, in the event that an indemnifying party assumes the defense of any action pursuant to this Section 6.7(c), no such action may be settled without the prior written consent of each indemnified party (which shall not be unreasonably withheld).

(d) If the indemnification provided for in this Section 6.7 is held by a court of competent jurisdiction to be unavailable to an indemnified party with respect to any loss, claim, damage or liability referred to herein, then the indemnifying party, in lieu of indemnifying such indemnified party hereunder, shall contribute to the amounts paid or payable by such indemnified party as a result of such loss, claim, damage or liability in such proportion as is appropriate to reflect the relative fault of the indemnifying party on the one hand and of the indemnified party on the other hand in connection with the statements or omissions that resulted in such loss, claim, damage or liability as well as any other relevant equitable considerations; provided, however, that the maximum amount of liability in respect of such contribution shall be limited, in the case of each seller of Registrable Shares, to an amount equal to the net proceeds actually received by such seller from the sale of Registrable Shares effected pursuant to such registration. The relative fault of the indemnifying party and of the indemnified party shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission to state a material fact relates to information supplied by the indemnifying party or by the indemnified party and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. Notwithstanding the foregoing, no Person guilty of fraudulent misrepresentation shall be entitled to contribution from any Person who was not guilty of such fraudulent misrepresentation.

(e) The indemnification and contribution provided for under this Agreement will remain in full force and effect regardless of any investigation made by or on behalf of the indemnified party and will survive the transfer of Registrable Shares.

6.8 Underwriting Agreement.

(a) If any registration pursuant to Sections 6.1, 6.2, or 6.3 is requested to be an underwritten offering, the Company shall negotiate in good faith to enter into a reasonable and customary underwriting agreement with the underwriters thereof. The Company shall be entitled to receive indemnities from lead institutions, underwriters, selling brokers, dealer managers and similar securities industry professionals participating in the distribution, to the same extent as

provided above with respect to information so furnished in writing by such Persons specifically for inclusion in any Prospectus or Registration Statement and to the extent customarily given their role in such distribution.

(b) No Stockholder may participate in any registration hereunder that is underwritten unless such Stockholder agrees (i) to sell such Stockholder's Registrable Shares proposed to be included therein on the basis provided in any underwriting arrangements acceptable to the Company in the case of an offering of Primary Shares, or, in the case of a Demand Registration offering pursuant to Section 6.1 hereof, the Stockholders requesting Demand Registration pursuant to Section 6.1, (ii) as expeditiously as possible, to notify the Company of the occurrence of any event concerning such Stockholder as a result of which the Prospectus relating to such registration contains an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading and (iii) completes and executes all questionnaires, powers of attorney, indemnities, underwriting agreements and other documents required under the terms of such underwriting arrangements.

6.9 Information by Holder; Use of Prospectus.

Each holder of Registrable Shares to be included in any registration shall furnish to the Company and the managing underwriter such written information regarding such holder and the distribution proposed by such holder as the Company or the managing underwriter may reasonably request in writing and as shall be reasonably required in connection with any registration, qualification or compliance referred to in this Agreement. Each holder of Registrable Shares agrees that upon actual receipt of any notice from the Company of the happening of any event of the kind described in Section 6.6(h), such holder will forthwith discontinue disposition of such Registrable Shares covered by the applicable Registration Statement or Prospectus until such holder receives the copies of the supplemented or amended Prospectus contemplated by Section 6.6(h), or until it is advised in writing by the Company that the use of the applicable Prospectus may be resumed, and has received copies of any amendments or supplements thereto.

6.10 Exchange Act Compliance.

From and after the Registration Date or such earlier date as a registration statement filed by the Company pursuant to the Exchange Act relating to any class of the Company's Securities shall have become effective, the Company shall comply with all of the reporting requirements of the Exchange Act (whether or not it shall be required to do so) and shall comply with all other public information reporting requirements of the Commission but, in each case, only to the extent that such reporting requirements are conditions to the availability of Rule 144 for the sale of the Common Stock. The Company shall cooperate with each Stockholder in supplying such information as may be necessary for such Stockholder to complete and file any information reporting forms presently or hereafter required by the Commission as a condition to the availability of Rule 144.

ARTICLE VII

CONFIDENTIALITY; INFORMATION RIGHTS; ACCESS TO INFORMATION

7.1 Confidentiality.

Except as otherwise required by law, each Stockholder shall, and shall use commercially reasonable efforts to cause its Representatives to, hold in confidence all confidential information of the Company provided or made available to such Stockholder and its Representatives until such time as such information has become publicly available other than as a consequence of any breach by such Stockholder or Representative of its confidentiality obligations hereunder; provided that the Company shall not provide any such confidential information to any Stockholder who notifies the Company in writing that it desires not to receive any confidential information until such time as such notice is revoked in writing by such Stockholder.

7.2 Information Rights.

(a) At the request of any Committee Holder so long as it holds 1.0% of the outstanding Common Stock or Stockholder Shares in an amount representing at least 50.0% of the Stockholder Shares held by such Committee Holder as of the Effective Date, (each an "Eligible Information Recipient"), the Company shall, and shall cause its Subsidiaries to, afford such Stockholder and its Representatives with reasonable access during normal business hours to books, properties and records of the Company and its Subsidiaries; provided that no Eligible Information Recipient shall be entitled, subject to any other rights such Stockholder may otherwise possess, to make such request more than four (4) times per year and the Company shall not be obligated to provide any Person with such access or information to the extent that (i) any Law applicable to the Company or any Subsidiary requires such party to restrict or prohibit access to any such properties or information, (ii) such access would be in breach of any confidentiality obligation, commitment or provision by which the Company or any Subsidiary is bound or affected, which confidentiality obligation, commitment or provision shall be disclosed to the requesting Stockholder, provided that disclosure of such obligation, commitment or provision would not itself be the breach of an obligation or commitment to a third Person, (iii) such information is subject in the reasonable determination of the Company to an applicable attorney-client privilege or (iv) the Company reasonably determines, in good faith, that such Person is a competitor of the Company and promptly thereafter notifies such Stockholder of such determination (collectively, the "Information Restrictions").

(b) Furthermore, the Company shall make available to the Eligible Information Recipients for so long as they hold Stockholder Shares or Restructuring Warrants, as soon as it is available the same financial information and access as the information and access required to be provided to noteholders under Section 4.03 of the Indenture, as such section is in effect as of the Effective Date and whether or not notes remain outstanding under such Indenture, or equivalent information, including regular quarterly and annual financial statements of the Company (or any successor entity, if applicable) prepared and made available in the ordinary course of business, if at a time when such financial information is not required to be provided to noteholders under the Indenture unless and to the extent that such information is covered by an Information Restriction.

ARTICLE VIII

LEGENDS AND COMPLIANCE WITH SECURITIES LAWS

8.1 Restrictions on Transfer.

In addition to any other restrictions on the Transfer of Stockholder Shares contained in this Agreement, the Stockholders shall not transfer any Restricted Securities except in compliance with this Article VIII. Each Stockholder agrees that it shall not offer, sell or otherwise Transfer any of its Stockholder Shares other than (a) to the Company; (b) outside the United States in accordance with Rule 904 of Regulation S under the Securities Act; (c) within the United States in accordance with (i) Rule 144A under the Securities Act to a person who the seller reasonably believes is a Qualified Institutional Buyer (as defined therein) that is purchasing for its own account or for the account of another Qualified Institutional Buyer to whom notice is given that the offer, sale, or transfer is being made in reliance on Rule 144A, if available, or (ii) the exemption from registration under the Securities Act provided by Rule 144 thereunder, if applicable; (d) in a transaction that does not require registration under the Securities Act or any applicable United States state laws and regulations governing the offer and sale of securities; or (e) pursuant to an effective registration statement under the U.S. Securities Act, provided that with respect to sales or Transfers under (x) clauses (b) and (c)(i), only if the Stockholder has furnished to the Company a customary certificate confirming compliance with such exemptions, reasonably satisfactory to the Company, prior to such sale or Transfer to the extent requested by the Company, or (y) clauses (c)(ii) or (d), only if the Stockholder has furnished to the Company an opinion of counsel, reasonably satisfactory to the Company, prior to such sale or Transfer to the extent requested by the Company, and in each case in accordance with any applicable state securities laws in the United States or securities laws of any other applicable jurisdiction. Each Stockholder consents to the Company making a notation on its records and giving instructions to any registrar and transfer agent not to record any Transfer of Stockholder Shares without first being notified by the Company that it is reasonably satisfied that such Transfer is exempt from, or not subject to, the registration requirements of the Securities Act and is a Permitted Transfer. The Company shall promptly notify its registrar and transfer agent upon reasonably determining that a proposed Transfer is exempt from, or not subject to, the registration requirements of the Securities Act and is a Permitted Transfer.

8.2 Restrictive Legends.

(a) All Stockholder Shares shall be issued and held in certificated form and each such certificate evidencing such Stockholders' ownership of Stockholder Shares shall be stamped or otherwise imprinted with legends in substantially the following form

(i) so long as Article FOURTH, Section 3 of the Charter is in effect:

> "THE CORPORATION'S AMENDED AND RESTATED CERTIFICATE OF INCORPORATION (THE "CHARTER") INCLUDES, AMONG OTHER THINGS, TRANSFER RESTRICTIONS ON, AND OBLIGATIONS WITH RESPECT TO, THE COMMON STOCK AND THE PREFERRED STOCK OF THE CORPORATION. SO LONG AS IT IS IN EFFECT, THE CHARTER

RESTRICTS TRANSFERS THAT WOULD RESULT IN THE NUMBER OF RECORD HOLDERS OF ANY CLASS OF CAPITAL STOCK OF THE CORPORATION EXCEEDING 450 HOLDERS. THE CORPORATION WILL FURNISH WITHOUT CHARGE TO THE HOLDER OF RECORD OF THIS CERTIFICATE A COPY OF THE CHARTER, CONTAINING THE ABOVE-REFERENCED TRANSFER RESTRICTIONS AND OBLIGATIONS, UPON WRITTEN REQUEST TO THE CORPORATION AT ITS PRINCIPAL PLACE OF BUSINESS."

(ii)

"THE CORPORATION'S AMENDED AND RESTATED CERTIFICATE OF INCORPORATION (THE "CHARTER") INCLUDES, AMONG OTHER THINGS, RESTRICTIONS ON TRANSFERS. A COPY OF THE CHARTER WILL BE FURNISHED WITHOUT CHARGE BY THE CORPORATION TO THE HOLDER HEREOF UPON WRITTEN REQUEST."

(iii)

"THE CORPORATION'S AMENDED AND RESTATED CERTIFICATE OF INCORPORATION (THE "CHARTER") INCLUDES, AMONG OTHER THINGS, TRANSFER RESTRICTIONS ON, AND OBLIGATIONS WITH RESPECT TO, THE COMMON STOCK AND THE PREFERRED STOCK OF THE CORPORATION. UNDER CERTAIN CIRCUMSTANCES, THE HOLDER OF THE SHARES REPRESENTED BY THIS CERTIFICATE MAY BE OBLIGATED TO TRANSFER SUCH HOLDER'S SHARES IN ACCORDANCE WITH THE CHARTER. THE CORPORATION WILL FURNISH WITHOUT CHARGE TO THE HOLDER OF RECORD OF THIS CERTIFICATE A COPY OF THE CHARTER, CONTAINING THE ABOVE-REFERENCED TRANSFER RESTRICTIONS AND OBLIGATIONS, UPON WRITTEN REQUEST TO THE CORPORATION AT ITS PRINCIPAL PLACE OF BUSINESS."

and (iv):

"THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR AN EXEMPTION THEREFROM PURSUANT TO APPLICABLE LAW. ANY OFFER, SALE, ASSIGNMENT, TRANSFER OR OTHER DISPOSITION OF THIS SECURITY IN A TRANSACTION THAT IS NOT REGISTERED UNDER THE SECURITIES ACT IS SUBJECT TO THE CORPORATION'S RIGHT TO REQUIRE

DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO THE CORPORATION."

(b) The Company shall, at the request of a Stockholder, remove from each certificate representing Stockholder Shares the legend described in Section 8.2(a)(iv), if at the request of the Company, the requesting holder provides, at its expense, an opinion of counsel satisfactory to the Company that the that such legend is no longer required under applicable requirements of the Securities Act or state securities laws. The Company shall, at the request of a Stockholder, remove from each certificate representing Stockholder Shares (i) the legend described in Section 8.2(a)(i) if the limitation on the number of holders Article IV, Section 3 of the Charter has been terminated in accordance with it terms and the legend and (ii) the legend described in Section 8.2(a)(ii) and (iii) upon the termination of this Agreement.

8.3 Additional Legend.

(a) Each certificate evidencing Stockholder Shares and each certificate issued in exchange for or upon Transfer of any Stockholder Shares shall be stamped or otherwise imprinted with a legend in substantially the following form:

"THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO A STOCKHOLDERS' AGREEMENT DATED AS OF JANUARY 30, 2009 (AS AMENDED, MODIFIED, SUPPLEMENTED OR RESTATED FROM TIME TO TIME, THE "AGREEMENT"), AMONG THE ISSUER OF SUCH SECURITIES (THE "COMPANY") AND THE COMPANY'S STOCKHOLDERS. THE TERMS OF SUCH AGREEMENT INCLUDE, AMONG OTHER THINGS, RESTRICTIONS ON TRANSFERS. A COPY OF THE AGREEMENT WILL BE FURNISHED WITHOUT CHARGE BY THE COMPANY TO THE HOLDER HEREOF UPON WRITTEN REQUEST."

(b) The legend set forth above shall be removed from certificates evidencing any Stockholder Shares which cease to be Stockholder Shares in accordance with the terms of this Agreement.

8.4 Limit on Number of Stockholders.

(a) Notwithstanding anything set forth in this Agreement or in the Certificate, or the compliance with any of the terms hereof or thereof, no direct or indirect Transfer, however accomplished, of shares of Common Stock or any other class of capital stock of the Company shall be effective, and any such Transfer of Stockholder Shares shall be deemed null and void, if, as a result of any such Transfer, the record number of stockholders of the Company of the applicable class of capital stock (as determined in accordance with Rule 12g5-1 under the Exchange Act or any successor rule or interpretation) would exceed 450.

(b) The restrictions contained in this Section 8.4 are for the purpose of ensuring that the Company is not required to become a registrant under the Exchange Act due to the number of stockholders of the Company.

(c) Any Transfer attempted to be made in violation of this Section 8.4 will be null and void. The proposed Transferee shall not be entitled to any rights of stockholders of the Company or as a Stockholder, including, but not limited to, the rights to vote or to receive dividends and liquidating distributions, with respect to the shares of Common Stock and/or any other class of capital stock of the Company that were the subject of such attempted Transfer.

(d) In addition to any remedies available to the Company under applicable law or in equity, after learning of a Transfer not in compliance with this Section 8.4, the Company may demand the immediate surrender, or cause to be immediately surrendered, to the Company, all certificates representing the shares of Common Stock and/or any other class of capital stock of the Company that were the subject of such attempted Transfer, or any proceeds received upon a sale of such shares, and any dividends or other distributions made after such noncompliant Transfer with respect to such shares, if any. Any such surrendered certificates may be destroyed. If any such certificates are not immediately surrendered, the Company shall cancel such certificates, or cause such certificates to be cancelled, on the stock transfer records and other records of the Company. Any shares of Common Stock and/or any other class of capital stock of the Company attempted to be Transferred pursuant to a destroyed or cancelled certificate shall continue to be registered in the name of the purported transferor. Nothing in this subparagraph (d) shall be deemed inconsistent with the Transfer of such securities being deemed null and void pursuant to subparagraph (c) hereof.

(e) The Company may require, as a condition precedent to the registration of the Transfer of any shares of Common Stock and/or any other class of capital stock of the Company or the payment of any distribution on any such shares, that the proposed Transferor and Transferee or payee furnish to the Company all information reasonably requested by the Company with respect to all the direct or indirect ownership interests in such shares. The Company may make such arrangements or issue such instructions to its stock transfer agent as may be determined by the Chief Executive Officer under the direction of the Board of Directors to be necessary or advisable to implement this Section 8.4, including, without limitation, instructing the transfer agent not to register any Transfer of shares of Common Stock on the Company's stock transfer records if it has knowledge that such Transfer is prohibited by this Section 8.4, and/or authorizing such transfer agent to require an affidavit from a transferee or transferor regarding such Person's ownership of shares of Common Stock and other evidence that a Transfer will not be prohibited by this Section 8.4, as a condition to registering any Transfer.

(f) Nothing contained in this Section 8.4 shall limit the authority of the Company, its executive officers or the Board of Directors to take such other action to the extent permitted by law as it deems necessary or advisable to ensure that the Company is not required to become a registrant under the Exchange Act due to the number of stockholders.

(g) The provisions of this Section 8.4 shall terminate upon the earliest of (i) any firm commitment underwritten public offering of Common Stock pursuant to a registration statement filed with the Securities and Exchange Commission and declared effective under the Securities Act (ii), the filing by the Corporation of a registration statement pursuant to Section 12(g) of the Exchange Act, and (iii) such time as the Company Board determines that the provisions of

Article FOURTH, Section 3 of the Certificate are no longer necessary for the preservation of the Corporation's status as a non-reporting company under the Exchange Act.

ARTICLE IX

AMENDMENT AND WAIVER

9.1 Amendment.

Except as otherwise set forth herein, the terms and provisions of this Agreement may not be amended, modified, restated, supplemented or waived except pursuant to a writing signed by Stockholders acting by Majority Requisite Consent (or if Majority Requisite Consent cannot be obtained, by Alternative Majority Consent); provided that the provisions of Sections 3.1, 3.2, 3.3, 4.1(b), 9.1 and Article X may only be amended, modified, restated, supplemented or waived with Majority Requisite Consent; and provided, further that no such amendment, modification, restatement, supplement or waiver shall materially and adversely affect any Stockholder disproportionately to the other Stockholders; provided, further, that Schedule I and Schedule II may be amended from time to time in accordance with Section 2.8.

9.2 Waiver.

No course of dealing between the Company and the Stockholders (or any of them) or any delay in exercising any rights hereunder will operate as a waiver of any rights of any party to this Agreement. The failure of any party to enforce any of the provisions of this Agreement will in no way be construed as a waiver of such provisions and will not affect the right of such party thereafter to enforce each and every provision of this Agreement in accordance with its terms.

ARTICLE X

TERMINATION

The provisions of this Agreement, except as otherwise expressly provided herein, shall terminate upon the first to occur of (a) the dissolution, liquidation or winding-up of the Company; (b) a Sale of the Company pursuant to an Approved Sale; (c) the consummation of an Initial Public Offering; or (d) the written approval of such termination by Stockholders constituting Majority Requisite Consent; provided, however, that (i) if the Agreement is terminated prior to the consummation of a Sale of the Company in which Stockholders exercise rights under Section 2.5 to compel an Approved Sale (and also exercise comparable drag-along rights under the Restructuring Warrant Agreement) or an Initial Public Offering, the rights and obligations set forth in Article VII (other than Section 7.2(b)) shall continue without interruption until the earlier of the consummation of a Sale of the Company in which Stockholders exercise rights under Section 2.5 to compel an Approved Sale (and also exercise comparable drag-along rights under the Restructuring Warrant Agreement) or an Initial Public Offering, and (ii) in the case of clause (c), all the provisions set forth in Article VI relating to registration rights (and all definitions and "Miscellaneous" provisions related thereto) shall continue without interruption until less than 10.0% of the Stockholder Shares are Registrable Shares. Anything contained herein to the contrary notwithstanding, as to any particular Stockholder, this Agreement shall no longer be

binding or of further force or effect as to such Stockholder, except as otherwise expressly provided herein, as of the date such Stockholder has Transferred all of such Stockholder's Stockholder Shares in accordance with the terms hereof.

ARTICLE XI

MISCELLANEOUS

11.1 Severability.

It is the desire and intent of the parties hereto that the provisions of this Agreement be enforced to the fullest extent permissible under the laws and public policies applied in each jurisdiction in which enforcement is sought. Accordingly, if any particular provision of this Agreement shall be adjudicated by a court of competent jurisdiction to be invalid, prohibited or unenforceable for any reason, such provision, as to such jurisdiction, shall be ineffective, without invalidating the remaining provisions of this Agreement or affecting the validity or enforceability of this Agreement or affecting the validity or enforceability of such provision in any other jurisdiction. Notwithstanding the foregoing, if such provision could be more narrowly drawn so as not to be invalid, prohibited or unenforceable in such jurisdiction, it shall, as to such jurisdiction, be so narrowly drawn, without invalidating the remaining provisions of this Agreement or affecting the validity or enforceability of such provision in any other jurisdiction.

11.2 Entire Agreement.

This Agreement and the other agreements referred to herein and to be executed and delivered in connection herewith embody the entire agreement and understanding among the parties hereto with respect to the subject matter hereof and thereof and supersede and preempt any and all prior and contemporaneous understandings, agreements, arrangements or representations by or among the parties, written or oral, which may relate to the subject matter hereof or thereof in any way. The Company and the Committee Holders specifically agree that notwithstanding any contrary provision in the Certificate they will not exercise any right under Article Fourth, Section 4 of the Certificate (or any other section of the Certificate that relates to the same subject matter thereof) to compel Stockholders to participate in any drag-along sale in a manner inconsistent with the provisions of Section 2.5 of this Agreement; provided, however, that nothing herein shall limit the rights of the Company or the Committee Members in Article Fourth, Section 4 of the Certificate against any Person not a party to this Agreement.

11.3 Independence of Agreements and Covenants

All agreements and covenants hereunder shall be given independent effect so that if a certain action or condition constitutes a default under a certain agreement or covenant, the fact that such action or condition is permitted by another agreement or covenant shall not affect the occurrence of such default.

11.4 Successors and Assigns.

Except as otherwise provided herein, this Agreement will bind and inure to the benefit of and be enforceable by the Company and its successors and permitted assigns and the

Stockholders and any subsequent holders of Stockholder Shares and the respective successors and permitted assigns of each of them, so long as they own Stockholder Shares. No Stockholder may assign its rights hereunder in violation of this Agreement and any such attempted assignment shall be void ab initio.

11.5 Counterparts; Facsimile Signatures; Validity.

This Agreement may be executed in two or more counterparts, all of which shall be considered one and the same agreement and shall become effective when one or more counterparts have been signed by each of the parties and delivered (by facsimile or otherwise) to the other party, it being understood that all parties need not sign the same counterpart. Any counterpart or other signature hereupon delivered by facsimile shall be deemed for all purposes as constituting good and valid execution and delivery of this Agreement by such party.

11.6 Remedies.

(a) Each Stockholder shall have (i) all rights and remedies reserved for such Stockholder pursuant to this Agreement, (ii) all rights and remedies which such holder has been granted at any time under any other agreement or contract and (iii) all of the rights which such holder has under any law or equity. Any Person having any rights under any provision of this Agreement will be entitled to enforce such rights specifically, to recover damages by reason of any breach of any provision of this Agreement and to exercise all other rights granted by law or equity.

(b) It is acknowledged that it will be impossible to measure in money the damages that would be suffered by any party hereto if any other Person party hereto fails to comply with any of the obligations imposed on it upon them in this Agreement and that in the event of any such failure, the aggrieved party will be irreparably damaged and will not have an adequate remedy at law. Any such aggrieved party shall, therefore, be entitled to equitable relief, including specific performance, to enforce such obligations, and if any action should be brought in equity to enforce any of the provisions of this Agreement, none of the parties hereto shall raise the defense that there is an adequate remedy at law.

11.7 Notices.

All notices, amendments, waivers or other communications pursuant to this Agreement shall be in writing and shall be deemed to have been duly given if personally delivered, telecopied, sent by nationally recognized overnight courier or mailed by registered or certified mail with postage prepaid, return receipt requested, to the parties hereto at the following addresses (or at such other address for a party as shall be specified by like notice):

(a) if to the Company, to:

American, Media Inc.
1000 American Media Way
Boca Raton, FL 33464
Attention: Chief Financial Officer

Telephone: (561) 997-7733
Facsimile: (561) 272-8127

with a copy to:

Akin Gump Strauss Hauer & Feld LLP
One Bryant Park
New York, NY 10036
Attention: Ira Dizengoff
Facsimile: (212) 872-1002
Telephone: (212) 872-1000

(b) if to any Stockholder to it at its address set forth on Schedule II attached hereto if so provided, or if no such address is provided to the Company, such notice to be delivered to the address set forth in the stock register of the Company.

Any such notice or communication shall be deemed to have been given and received (a) when delivered, if personally delivered; (b) when sent, if sent by telecopy on a Business Day (or, if not sent on a Business Day, on the next Business Day after the date sent by telecopy); (c) on the next Business Day after dispatch, if sent by nationally recognized overnight courier guaranteeing next Business Day delivery; and (d) on the fifth Business Day following the date on which the piece of mail containing such communication is posted, if sent by mail.

11.8 Governing Law; Jurisdiction.

EXCEPT AS SET FORTH BELOW, THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE DOMESTIC LAWS OF THE STATE OF DELAWARE WITHOUT REGARD TO THE CONFLICTS OF LAWS OR PRINCIPLES THEREOF THAT WOULD CAUSE THE APPLICATION OF THE LAWS OF ANY JURISDICTION OTHER THAN THE STATE OF DELAWARE. WITH RESPECT TO ANY LAWSUIT OR PROCEEDING ARISING OUT OF OR BROUGHT WITH RESPECT TO THIS AGREEMENT OR ANY TRANSACTION CONTEMPLATED HEREBY, EACH OF THE PARTIES HERETO IRREVOCABLY (a) SUBMITS TO THE EXCLUSIVE JURISDICTION OF THE UNITED STATES FEDERAL AND NEW YORK STATE COURTS LOCATED IN THE COUNTY OF NEW YORK IN THE STATE OF NEW YORK; (b) WAIVES ANY OBJECTION IT MAY HAVE AT ANY TIME TO THE LAYING OF VENUE OF ANY PROCEEDING BROUGHT IN ANY SUCH COURT; (c) WAIVES ANY CLAIM THAT SUCH PROCEEDING HAS BEEN BROUGHT IN AN INCONVENIENT FORUM; AND (d) FURTHER WAIVES THE RIGHT TO OBJECT, WITH RESPECT TO SUCH PROCEEDINGS, THAT SUCH COURT DOES NOT HAVE JURISDICTION OVER SUCH PARTY.

11.9 Waiver of Jury Trial.

EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES ALL RIGHT TO TRIAL BY JURY OF ANY ACTION, PROCEEDING OR COUNTERCLAIM BASED UPON OR ARISING OUT OF THIS AGREEMENT OR ANY DEALINGS BETWEEN THE PARTIES HERETO RELATING TO THE SUBJECT MATTER HEREOF. EACH OF THE

PARTIES HERETO ALSO WAIVES ANY BOND OR SURETY OR SECURITY UPON SUCH BOND THAT MIGHT, BUT FOR THIS WAIVER, BE REQUIRED OF THE OTHER PARTY. THE SCOPE OF THIS WAIVER IS INTENDED TO BE ALL ENCOMPASSING OF ANY AND ALL DISPUTES THAT MAY BE FILED IN ANY COURT AND THAT RELATE TO THE SUBJECT MATTER OF THIS AGREEMENT, INCLUDING, WITHOUT LIMITATION, CONTRACT CLAIMS, TORT CLAIMS, BREACH OF DUTY CLAIMS, AND ALL OTHER COMMON LAW AND STATUTORY CLAIMS. EACH OF THE PARTIES HERETO ACKNOWLEDGES THAT THIS WAIVER IS A MATERIAL INDUCEMENT TO ENTER INTO THIS AGREEMENT. EACH OF THE PARTIES HERETO FURTHER WARRANTS AND REPRESENTS THAT IT HAS REVIEWED OR HAD THE OPPORTUNITY TO REVIEW THIS WAIVER WITH ITS RESPECTIVE LEGAL COUNSEL, AND THAT IT KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS FOLLOWING CONSULTATION WITH SUCH LEGAL COUNSEL. IN THE EVENT OF LITIGATION, THIS AGREEMENT MAY BE FILED AS A WRITTEN CONSENT TO A TRIAL BY THE COURT.

11.10 Further Assurances.

Each party hereto shall do and perform or cause to be done and performed all such further acts and things and shall execute and deliver all such other agreements, certificates, instruments, and documents as any other party hereto reasonably may request in order to carry out the provisions of this Agreement and the consummation of the transactions contemplated hereby.

11.11 Third Party Reliance.

Anything contained herein to the contrary notwithstanding, the covenants of the Company contained in this Agreement (a) are being given by the Company as an inducement to the Stockholders to enter into this Agreement (and the Company acknowledges that the Stockholders have expressly relied thereon) and (b) are solely for the benefit of the Stockholders. Accordingly, no third party (including, without limitation, any holder of equity Securities who is not a Stockholder and any holder of any other Securities of the Company who is not a Stockholder) or anyone acting on behalf of any thereof other than the Stockholders, shall be a third party or other beneficiary of such covenants and no such third party shall have any rights of contribution against the Stockholders or the Company with respect to such covenants or any matter subject to or resulting in indemnification under this Agreement or otherwise. None of the provisions hereof shall create, or be construed or deemed to create, any right to employment in favor of any Person by the Company or any of its Subsidiaries.

11.12 Termination of Prior Stockholders Agreement.

The Stockholders Agreement dated as of January 30, 2009 among the Company, the stockholders signatory thereto and the EMP Group Representative (the "Prior Agreement") is hereby terminated and is of no further force and effect, and other than as set expressly forth in the Prior Agreement, no party thereto shall have any surviving obligations, rights, or duties thereunder.

****

IN WITNESS WHEREOF, the undersigned have duly executed this Stockholders' Agreement as of the date first written above.

AMERICAN MEDIA, INC.

By: _____
Name:
Title:

AG CNG FUND, L.P.

By: Angelo, Gordon & Co., L.P.,
its Investment Manager

By: _____
Name:
Title:

AG MM, L.P.

By: Angelo, Gordon & Co., L.P.,
its Investment Manager

By: _____
Name:
Title:

PHS BAY COLONY FUND, L.P.

By: Angelo, Gordon & Co., L.P.,
its Investment Manager

By: _____
Name:
Title:

AGCR V MASTER ACCOUNT, L.P.

By: Angelo, Gordon & Co., L.P.,
its Investment Manager

By: _____
Name:
Title:

AG CAPITAL RECOVERY PARTNERS VI, L.P.

By: Angelo, Gordon & Co., L.P.,
its Investment Manager

By: _____
Name:
Title:

AG ELEVEN PARTNERS, L.P.

By: Angelo, Gordon & Co., L.P.,
its Investment Manager

By: _____
Name:
Title:

GAM ARBITRAGE INVESTMENTS INC.

By: Angelo, Gordon & Co., L.P.,
its Investment Manager

By: _____
Name:
Title:

AG GARDEN PARTNERS, L.P.

By: Angelo, Gordon & Co., L.P.,
its Investment Manager

By: _____
Name:
Title:

AG SUPER FUND INTERNATIONAL PARTNERS, L.P.

By: Angelo, Gordon & Co., L.P.,
its Investment Manager

By: _____
Name:
Title:

NUTMEG PARTNERS, L.P.

By: Angelo, Gordon & Co., L.P.,
its Investment Manager

By: _____
Name:
Title:

PHS PATRIOT FUND, L.P.

By: Angelo, Gordon & Co., L.P.,
its Investment Manager

By: _____
Name:
Title:

AG PRINCESS, L.P.

By: Angelo, Gordon & Co., L.P.,
its Investment Manager

By: _____
Name:
Title:

AG SUPER FUND, L.P.

By: Angelo, Gordon & Co., L.P.,
its Investment Manager

By: _____
Name:
Title:

AVENUE INVESTMENTS, L.P.

By: Avenue Partners, LLC,
its General Partner

By: _____
Name:
Title:

AVENUE – CDP GLOBAL OPPORTUNITIES FUND, L.P.

By: Avenue Global Opportunities Fund GenPar, LLC,
its General Partner

By: _____
Name:
Title:

AVENUE INTERNATIONAL MASTER, L.P.

By: Avenue International Master Fund
GenPar, Ltd.,
its General Partner

By: _____
Name:
Title:

AVENUE SPECIAL SITUATIONS
FUND IV, L.P.

By: Avenue Capital Partners IV, LLC,
its General Partner

By: GL Partners IV, LLC,
its Managing Member

By: _____
Name:
Title:

AVENUE SPECIAL SITUATIONS
FUND V, L.P.

By: Avenue Capital Partners V, LLC,
its General Partner

By: GL Partners V, LLC,
its Managing Member

By: _____
Name:
Title:

AMERICAN HIGH-INCOME TRUST

By: Capital Research and Management Company,
its Investment Adviser

By: _____
Name:
Title:

THE BOND FUND OF AMERICA, INC.

By: Capital Research and Management Company,
its Investment Adviser

By: _____
Name:
Title:

THE INCOME FUND OF AMERICA, INC.

By: Capital Research and Management Company,
its Investment Adviser

By: _____
Name:
Title:

AMERICAN FUNDS INSURANCE SERIES – ASSET ALLOCATION

By: Capital Research and Management Company,
its Investment Adviser

By: _____
Name:
Title:

AMERICAN FUNDS INSURANCE SERIES – BOND FUND

By: Capital Research and Management Company,
its Investment Adviser

By: _____
Name:
Title:

AMERICAN FUNDS INSURANCE SERIES –
GLOBAL BOND FUND

By: Capital Research and Management Company,
its Investment Adviser

By: _____
Name:
Title:

AMERICAN FUNDS INSURANCE SERIES –
HIGH-INCOME BOND FUND

By: Capital Research and Management Company,
its Investment Adviser

By: _____
Name:
Title:

CAPITAL WORLD BOND FUND, INC.

By: Capital Research and Management Company,
its Investment Adviser

By: _____
Name:
Title:

QUALCOM INCORPORATED

By: Capital Guardian Trust Company,
its Investment Manager

By: _____
Name:
Title:

CAPITAL GUARDIAN US HIGH YIELD FIXED INCOME MASTER FUND

By: Capital Guardian Trust Company,
its Investment Manager

By: _____
Name:
Title:

CAPITAL GUARDIAN GLOBAL HIGH INCOME OPPORTUNITIES FUND

By: Capital Guardian Trust Company, its Investment Manager

By: _____
Name:
Title:

CIF GLOBAL HIGH INCOME OPPORTUNITIES

By: Capital International, Inc., its Investment Manager

By: _____
Name:
Title:

CREDIT SUISSE SECURITIES (USA) LLC

By: _____
Name:
Title:

Schedule I

Stockholder Ownership

Stockholder	Number of Shares
AG CNG Fund, L.P.	
AG MM, L.P.	
PHS Bay Colony Fund, L.P.	
AGCR V Master Account LP	
AG Capital Recovery Partners VI, L.P.	
AG Eleven Partners, L.P.	
GAM Arbitrage Investments Inc.	
AG Garden Partners, L.P.	
AG Super Fund International Partners, L.P.	
Nutmeg Partners, L.P.	
PHS Patriot Fund, L.P.	
AG Princess, L.P.	
AG Super Fund, L.P.	
Avenue Investments, L.P.	
Avenue – CDP Global Opportunities Fund, L.P.	
Avenue International Master, L.P.	
Avenue Special Situations Fund IV, L.P.	
Avenue Special Situations Fund V, L.P.	
American High-Income Trust	
The Bond Fund of America, Inc.	
The Income Fund of America, Inc.	
American Funds Insurance Series – Asset Allocation	
American Funds Insurance Series – Bond Fund	
American Funds Insurance Series – Global Bond Fund	
American Funds Insurance Series – High-Income Bond Fund	
Capital World Bond Fund, Inc.	
Qualcom Incorporated	
Capital Guardian US High Yield Fixed Income Master Fund	
CIF Global High Income Opportunities	
Capital Guardian Global High Income Opportunities Fund	
President & Fellows of Harvard College	
XL Investment Management Ltd.	
Credit Suisse Securities (USA) LLC	

Schedule II

Stockholders

Name and Address of Stockholders

Angelo Gordon Stockholders:

c/o Angelo Gordon & Co., L.P.
245 Park Avenue, 26th Floor
New York, NY 10167
Attention: Michael McNamara
Telephone: (212) 692-8274
Telecopy: (212) 867-1388
Email: mmcnamara@angelogordon.com

with a copy to:

Avenue Stockholders:

c/o Avenue Capital Group
399 Park Avenue, 6th Floor
New York, NY 10022
Attention: Sonia E. Gardner
Telephone: (212) 850-7519
Telecopy: (212) 850-7556
Email: sgardner@avenuecapital.com

Capital Research Stockholders:

Capital Research and Management Company
11100 Santa Monica Boulevard
Los Angeles, CA 90025
Attention: Susan Tolson
Telephone: (310) 996-6101
Telecopy: (310) 996-6287
Email: susan_tolson@capgroup.com

Attention: Jennifer Hinman
Telephone: (310) 996-6461
Email: jennifer.hinman@capgroup.com

Credit Suisse Stockholders:

Credit Suisse Securities (USA) LLC
11 Madison Avenue
New York, NY 10010
Attention: Chris Campbell
Telephone: (212) 538-3441
Telecopy: (212) 743-5603
Email: chris.campbell@credit-suisse.com

Schedule III[2]

Directors

Name of Director	Means of Designation
David J. Pecker	Management Director
Philip L. Maslowe	Designated by the Angelo Gordon Stockholders
Gavin Baiera	Designated by the Angelo Gordon Stockholders
Susan Tolson	Designated by the Capital Research Stockholders
Kathryn Cranston	Designated by the Capital Research Stockholders
Mike Elkins	Designated by the Avenue Stockholders
Daniel Flores	Designated by the Avenue Stockholders
David Licht	Designated by the Avenue Stockholders
Larry Kramer	Designated by the Avenue Stockholders with consent of Angelo Gordon Stockholders and Capital Research Stockholders

[2] To be completed.

Schedule IV

Initial Management Stockholders

Michael Antonello	David Pecker
Lo-Mai Chuecos	Todd Pecker
Julia Coates	David Perel
Maydee Ehster	Steve Plamann
Anthony Frost	Michael Porche
Todd Garland	Marc Richards
Jerry George	Bette Rockmore
Ron Haines	John Swider
Kevin Hyson	Diana Tews
Colin Jenkins	David Thompson
William Jobson	Candace Trunzo
Charles MacDonald	Jay Wysong

Exhibit A

JOINDER AGREEMENT

The undersigned is executing and delivering this Joinder Agreement pursuant to the Stockholders' Agreement dated as of _____, 2010 (as amended, modified, restated or supplemented from time to time, the "Stockholders' Agreement"), among American Media, Inc., a Delaware corporation (the "Company"), and its stockholders named therein.

By executing and delivering this Joinder Agreement to the Company, the undersigned hereby agrees to become a party to, to be bound by, and to comply with the provisions of the Stockholders' Agreement in the same manner as if the undersigned were an original signatory to such agreement.

The undersigned acknowledges and agrees that the undersigned shall be a "Stockholder", as such term is defined in the Stockholders' Agreement.

Accordingly, the undersigned has executed and delivered this Joinder Agreement as of _____.

_____
Signature of Stockholder

_____
Print Name of Stockholder

_____

_____

_____
Address

_____
Facsimile

_____
Telephone

Exhibit D

JOINDER

The undersigned ("Transferee") hereby acknowledges that it has read and understands the Letter Agreement (the "Agreement")[2] to which this is an exhibit, dated as of [DATE], 2010, by and among the American Media Parties, Participating Noteholders and Consenting Lenders, including the transferor (the "Transferor") to the Transferee of any Existing Notes or Credit Agreement Obligations, and agrees to be bound by the terms and conditions thereof to the extent Transferor was thereby bound, and shall be deemed a Participating Noteholder or Consenting Lender, as applicable, under the terms of the Agreement.

The Transferee specifically agrees (i) to be bound by the terms and conditions of the Credit Agreement or the Existing Notes, as applicable, and (ii) to be bound by the vote of the Transferor if cast prior to the effectiveness of the Subject transfer.

Date Executed: _____, 2010

Transferee

Print name of

Name:
Title:
Address:
Attention:
Telephone:
Facsimile:

Subject Holdings	**Principal Amount Held**
Subordinated Notes	
PIK Notes	
8 7/8% Notes Issued by the Company Pursuant to that Certain Indenture dated as of January 23, 2003	
Credit Agreement Obligations	

[2] Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to such terms in the Agreement.

Exhibit E

Term Sheet for Use of Cash Collateral

Overall: Administrative Agent, on behalf of the Term Lenders and Revolver Lenders, will, subject to Required Lenders' consent, agree to Debtors' use of cash collateral on the first day of the chapter 11 cases on the terms set forth below.

Adequate Protection: To be granted to the Administrative Agent/Term Lenders/Revolver Lenders to the extent of any diminution in the value of their pre-petition collateral resulting from the Debtor's use of cash collateral:

*Replacement lien on post-petition collateral

*Superpriority Administrative Expense Claim

*Payment of fees and expenses of the Administrative Agent

*Accrual of post-petition interest at the non-default contract rate

Use of Cash Collateral: Debtors permitted to use cash collateral in the ordinary course of business, not subject to any budget, plus (i) professional fees and expenses, (ii) non-ordinary course expense not to exceed in the aggregate $5 million and (iii) fees and interest, as provided in the Escrow Motion, not to exceed $15 million.

Term: Use of cash collateral granted for three month period, at the end of which time all parties reserve rights (Debtors to request further use of cash collateral, Administrative Agent may agree not to extend cash collateral)

Carve Out: In the event of liquidation, carve-out of $1 million to fund post-termination professional fees and expenses, as well as additional $50,000 to pay UST fees

Other: Customary terms and provisions for uses of cash collateral for chapter 11 cases of this type.

Exhibit C

Annual Report

ANNUAL REPORT

For the Fiscal Year Ended March 31, 2010

American Media Operations, Inc.

Delaware *(State or other jurisdiction of incorporation or organization)*	**59-2094424** *(IRS Employer Identification No.)*
1000 American Media Way, Boca Raton, Florida *(Address of principal executive offices)*	**33464** *(Zip Code)*

Telephone number, including area code:
(561) 997-7733

As of May 31, 2010, 6,284,360 shares of common stock were outstanding.

AMERICAN MEDIA OPERATIONS, INC.
ANNUAL REPORT
For the Fiscal Year Ended March 31, 2010

		Page(s)
CAUTIONARY STATEMENT IDENTIFYING IMPORTANT FACTORS THAT COULD CAUSE THE COMPANY'S ACTUAL RESULTS TO DIFFER FROM THOSE PROJECTED IN FORWARD-LOOKING STATEMENTS		3
	PART I	
Item 1.	Business	4
Item 1A.	Risk Factors	15
Item 1B. *	Unresolved Staff Comments	20
Item 2.	Properties	20
Item 3.	Legal Proceedings	20
Item 4. *	[Reserved]	21
	PART II	
Item 5. *	Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	21
Item 6.	Selected Financial Data	21
Item 7.	Management's Discussion and Analysis of Financial Condition and Results of Operations	23
Item 7A.	Quantitative and Qualitative Disclosures About Market Risk	45
Item 8.	Financial Statements and Supplementary Data	46
Item 9.	Changes in and Disagreements With Accountants on Accounting and Financial Disclosure	87
Item 9A(T). *	Controls and Procedures	87
Item 9B.	Other Information	87
	PART III	
Item 10. *	Directors, Executive Officers and Corporate Governance	87
Item 11. *	Executive Compensation	89
Item 12.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	90
Item 13. *	Certain Relationships and Related Transactions, and Director Independence	91
Item 14. *	Principal Accountant Fees and Services	92
	PART IV	
Item 15. *	Exhibits and Financial Statement Schedules	92

* These items were omitted (or partially omitted) as permitted pursuant to the terms of Section 4.03 of each of the Indentures dated as of January 30, 2009 pursuant to which our 9% Senior PIK Notes due 2013 and our 14% Senior Subordinated Notes due 2013 were issued.

CAUTIONARY STATEMENT IDENTIFYING IMPORTANT FACTORS THAT COULD CAUSE THE COMPANY'S ACTUAL RESULTS TO DIFFER FROM THOSE PROJECTED IN FORWARD-LOOKING STATEMENTS

Unless the context otherwise requires, references in this Annual Report for the fiscal year ended March 31, 2010 (this "Annual Report") to the "Company" or "us," "we" or "our" are to American Media Operations, Inc. and its subsidiaries. In connection with the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, readers of this Annual Report are advised that this Annual Report contains both statements of historical fact and forward-looking statements. Forward-looking statements are subject to certain risks and uncertainties, which could cause our actual results to differ materially from those indicated by the forward-looking statements. Examples of forward-looking statements include, but are not limited to (i) projections of revenues, income or loss, capital expenditures, capital structure and other financial items, (ii) statements regarding our plans and objectives, including planned introductions of new publications or other products, or estimates or predictions of actions by customers, advertisers, suppliers, competitors or regulatory authorities, (iii) statements of future economic performance, (iv) outcomes of contingencies such as legal or any regulatory proceedings, and (v) statements of assumptions underlying other statements and statements about our business.

This Annual Report identifies important factors which could cause our actual results to differ materially from those indicated by the forward-looking statements, particularly those set forth in Item 1A, "Risk Factors." The factors that could affect our actual results include the following:

- our high degree of leverage and significant debt service obligations;
- our ability to attract and retain experienced and qualified personnel;
- our ability to implement our business strategy;
- changes in discretionary consumer spending patterns;
- changes in general economic and business conditions, both nationally and internationally, which can influence the overall demand for our services and products by our customers and advertisers, affecting the readership level of our publications as well as advertising and circulation revenue;
- increased competition, including price competition and competition from other publications and other forms of media, such as television, radio and digital sites concentrating on celebrity news and health and fitness;
- changes in the price of paper, ink and postage costs;
- any loss of one or more of our key vendors or key advertisers;
- adverse results in litigation matters or any regulatory proceedings; and
- our ability to maintain an effective system of internal controls over financial reporting.

Any written or oral forward-looking statements made by us are subject to these factors. Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking statements prove incorrect, actual results, performance or achievements may vary materially from those described in this Annual Report as intended, planned, anticipated, believed, estimated or expected. The risk factors included in Item 1A, "Risk Factors," of this Annual Report are not necessarily all of the important factors that could cause actual results to differ materially from those expressed in any of our forward-looking statements. Other unknown or unpredictable factors could also harm our future results. Given these uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements.

The forward-looking statements included in this Annual Report are made only as of the date of this Annual Report. We do not intend, and do not assume any obligations, to update these forward-looking statements, except as required by law.

PART I

Item 1. ***Business***

We were incorporated under the laws of Delaware in 1981 and are a wholly owned subsidiary of American Media, Inc. ("Media," or, together with its subsidiaries, "AMI"). We conduct all of Media's operations and represent substantially all of Media's assets. Our headquarters and principal executive offices are located at 1000 American Media Way, Boca Raton, FL 33464 and our telephone number is (561) 997-7733.

We are a leading publisher in the field of celebrity journalism and health and fitness magazines. Our publications include *Star, Shape, Men's Fitness, Fit Pregnancy, Natural Health, Muscle & Fitness, Muscle & Fitness Hers, Flex, UFC Magazine, National Enquirer, Globe, Country Weekly, Mira!, Sun, National Examiner,* and other publications.

We also provide publishing services to other publishers, including Playboy Enterprises, Inc. ("Playboy") and World Wrestling Entertainment, Inc. ("WWE"). Additionally, our wholly owned subsidiary, Distribution Services, Inc. ("DSI"), arranges for the placement of our publications and third-party publications with retailers. DSI monitors through its regional managers and merchandising staff that these publications are properly displayed in stores, primarily national and regional supermarket chains and major retail chains such as Wal-Mart, Kroger Companies, Safeway, Super Valu/Albertsons, Stop & Shop/Giant Food, Publix, H.E. Butt, Food Lion/Sweetbay, Great A&P Tea Company and Winn Dixie. DSI coordinates (also known as acting as a "category manager/front-end advisor") the racking of magazine fixtures for selected retailers. In addition, DSI provides marketing, merchandising and information gathering services to third parties including non-magazine clients. Some of DSI's third-party publishing clients include Hachette Filipacchi Media U.S. ("Hachette"), which publishes *Woman's Day* and *Elle;* Newsweek, Inc., which publishes *Newsweek*; Bauer Publishing, which publishes *First for Women, Woman's World, Life & Style* and *In Touch;* Rodale, Inc., which publishes *Prevention, Men's Health* and *Woman's Health;* General Mills, which publishes *Pillsbury* and *Betty Crocker;* Typhoon Media Corporation, which publishes various dictionary and reference books, medical and health encyclopedias, classical fiction, cookbooks and homeopathic health titles; and New York Media LLC, which publishes *New York Magazine* and specials. Some of DSI's third-party non-publishing clients include Kroger, Safeway, Random House, Blackhawk Network and Frontline Marketing, Inc.

Our magazines comprise approximately 11% of total U.S. and Canadian newsstand circulation for audited (by the Audit Bureau of Circulations or "ABC") weekly publications. Total average newsstand and subscription circulation per issue for all of our publications that are currently published and have a frequency of six or more times per year was approximately 6.1 million copies for fiscal year 2010.

In fiscal year 2010, we derived approximately 60% of our revenues from circulation, predominantly single copy sales in retail outlets, and subscription sales, with the remainder from advertising and other sources. As of March 31, 2010, our publications are distributed to newsstands primarily by three wholesalers, which we estimate represent 81% of the newsstand distribution market, as well as several smaller wholesalers who represent the remaining 19%. Wholesalers distribute the copies to approximately 110,000 retail outlets in the United States and Canada, representing, in the opinion of management, substantially complete coverage of periodical outlets in North America. The wholesalers also process returns of our publications, bill and collect from the retailers, and make payments to our national distributors. We distribute our publications to the wholesalers with a full right of return, who in turn sell them to retailers with a full right of return. Our national distributors' primary function is to bill and collect funds from wholesalers and remit these funds to us.

In addition to our relationships with our national distributors and wholesalers, we also have relationships with retailers, to which we pay one or more of the following:

- Rack Costs – We pay a fee to retailers to sell our publications in the display racks in the checkout section of supermarkets and other large retailers, typically for three year periods.
- Display Continuity Allowances ("DCA") – DCA is a payment that we make directly to the retailer and is similar to slotting fees paid by other industries to supermarkets.
- Retail Display Allowance ("RDA") – We make this payment directly to the retailers based upon quarterly claim forms that they submit to us. On average, RDA payments are equal to approximately 10% of the cover price for each magazine sold.
- Retail Display Pockets ("RDP") – We pay this fixed per pocket fee directly to retailers. This fee is similar to RDA, except that the amount is fixed per pocket. We pay either RDA or RDP to a particular retailer, but not both.

Subscription revenues are derived from copies mailed to our subscribers. We outsource our subscription fulfillment services to a third party. Advertising revenues are derived primarily from customer advertisements placed in our publications.

Restructuring

On January 30, 2009, we successfully completed our cash tender offers and receipt of requisite consents in the related consent solicitations in respect of our then outstanding senior subordinated notes, consisting of (1) $414.5 million aggregate principal amount of 10 1/4% Series B Senior Subordinated Notes due 2009 (the “2009 Notes”) and (2) $155.5 million aggregate principal amount of 8 7/8% Senior Subordinated Notes due 2011 (the “2011 Notes” and, together with the 2009 Notes, the “Prior Notes”). $400.5 million of the 2009 Notes and $148.0 million of the 2011 Notes were validly tendered and accepted for payment and consents were delivered with respect to the Prior Notes.

On December 31, 2008, we amended and restated our Credit Agreement dated as of January 30, 2006 (the “2006 Credit Agreement), among the Company, Media, the lenders party thereto, JPMorgan Chase Bank, N.A., as Administrative Agent and Deutsche Bank Securities Inc., as Syndication Agent (the “2009 Credit Agreement”). On January 30, 2009, concurrently with the consummation of our cash tender offers, the 2009 Credit Agreement became effective.

On January 29, 2009, we amended and restated our articles of incorporation to increase the number of shares authorized to be issued from 10,000 to 7,500,000 and changed the par value of such common stock from $0.20 to $0.0001. In addition, we exchanged 5,994,411 shares of common stock (the “Common Stock”) for 7,508 shares common stock previously owned by Media.

On January 30, 2009, we issued (i) $21.2 million aggregate principal amount of 9% Senior PIK Notes due 2013 (the “Senior PIK Notes”) under an indenture governing the Senior PIK Notes (the “Senior PIK Notes Indenture”) and (ii) $299.7 million aggregate principal amount of 14% Senior Subordinated Notes due 2013 (the “Senior Subordinated Notes”) under an indenture governing the Senior Subordinated Notes (the “Senior Subordinated Notes Indenture” and, together with the Senior PIK Notes Indenture, the “Indentures”). The Senior PIK Notes and the Senior Subordinated Notes are referred herein as the “New Notes”. Also on January 30, 2009, Media sold 5,688,891 shares of Common Stock (valued at approximately $1.0 million) (together with the New Notes, the “Securities”) for an aggregate purchase price of $126.0 million, pursuant to a purchase agreement dated January 29, 2009, among Media, the Company, the other parties named therein and J.P. Morgan Securities Inc. The cash proceeds from the offering of the Securities (the “Offering”), together with our cash on hand, were used to purchase the tendered portion of the Prior Notes in the tender offers and to pay approximately $35.0 million of fees and expenses related to the Offering and the tender offers and consent solicitations. In addition, on January 30, 2009, Media issued 305,520 shares of Common Stock to Media’s equityholders prior to the financial restructuring (the “Prior Equityholders”) in exchange for the Common Stock they owned prior to the restructuring.

As a result of the restructuring of our capital structure and the issuance of Common Stock by Media to the bondholders who participated in the cash tender offers completed on January 30, 2009 and receipt of requisite consent solicitations (the “Tendering Bondholders”), the Tendering Bondholders acquired 94.9% of Media’s Common Stock on January 30, 2009. The Prior Equityholders retained 5.1% of Media’s Common Stock.

These transactions are referred to collectively as the "Restructuring" in this Annual Report. See Item 12, "Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters," for a summary of our ownership structure.

Industry Data and Circulation Information

Information contained in this Annual Report concerning publishing industry data, circulation information, rankings, readership information (e.g., multiple readers per copy) and other industry and market information, including our general expectations concerning the publishing industry, are based on estimates prepared by us based on certain assumptions and our knowledge of the publishing industry as well as data from various third party sources. These sources include, but are not limited to, reports of the Audit Bureau of Circulation (“ABC”), Business Publishers Association (“BPA”) Circulation Statements, Statement of Ownership figures filed with the U.S. Postal Service and Mediamark Research Inc. ("MRI") syndicated research data. While we are not aware of any misstatements regarding any industry data presented in this Annual Report, we have not independently verified any of the data from any of these sources and, as a result, this data may be imprecise. Our estimates, in particular as they relate to our general expectations concerning the publishing industry, involve risks and uncertainties and are subject to change based on various factors. See Item 1A, “Risk Factors.”

Unless otherwise indicated, all average circulation information for our publications is an average of actual single copy circulation and subscription copies for fiscal year 2010. All references to "circulation" are to single copy newsstand sales and paid subscription circulation, unless otherwise specified. References to “verified non-paid subscriptions” are to non-paid subscription copies designated by publishers for readership in public places or intended for individual use by recipients who are likely to have a strong affinity for the content of the publication.

Segment Information

We have aggregated our business into five reporting segments: Celebrity Publications, Tabloid Publications, Women's Health and Fitness Publications, Distribution Services and Corporate/Other. The aggregation of our business is based upon our publications having the following similarities: economic characteristics, types of products and services, types of production processes, type or class of customers, and method of distribution. For a discussion of certain financial information relating to these reporting segments, see Note 13, "Business Segment Information," in the Notes to Consolidated Financial Statements included in Item 8 herein.

CELEBRITY PUBLICATIONS SEGMENT

Our Celebrity Publications segment aggregates the following titles, which have leading market positions in the categories they serve.

- *Star* is a weekly celebrity news-based glossy magazine dedicated to covering the stars of movies, television and music. *Star's* editorial content also incorporates fashion, beauty and accessories. *Star* sells on average 570,000 single copies per week and has a total average weekly circulation of approximately 1.0 million copies, including subscriptions, and an estimated total weekly readership of 9.1 million.

- *Country Weekly* is an entertainment magazine presenting all aspects of country music celebrities and their lifestyles, events and personalities, and has the highest weekly circulation of any such magazine in its category. Effective with the March 9, 2009 issue, subscriptions for *Country Weekly* were discontinued. *Country Weekly* was changed from a bi-weekly to a weekly publication effective with the March 30, 2009 issue and had an average single copy circulation of 73,000 copies and an estimated total readership of 0.8 million per issue.

Circulation

The following table sets forth average circulation (per issue) and U.S. cover prices for our Celebrity Publications segment as follows:

	For Fiscal Year Ended		
	March 31, 2010	**March 31, 2009**	**March 31, 2008**
	(Circulation data in thousands)		
Celebrity Publications Segment			
Star			
Total Circulation	1,025	1,235	1,367
Subscription Circulation	455	610	651
Single Copy Circulation	570	625 (4)	716 (6)
Cover Price	$3.99	$3.99	$3.99 (5)
Country Weekly			
Total Circulation	73	370	426
Subscription Circulation	- (2)	285 (2)	323
Single Copy Circulation	73 (3)	85 (3)	103
Cover Price	$2.99 (1)	$2.49 (1)	$3.49

(1) We decreased the U.S. cover price of *Country Weekly* from $3.49 to $2.49 effective with the April 6, 2009 issue. Effective with the February 8, 2010 issue, we increased the U.S. cover price of *Country Weekly* from $2.49 to $2.99.
(2) Effective with the March 9, 2009 issue, subscriptions for *Country Weekly* were discontinued.
(3) Amount includes two reduced issues for *Country Weekly* that included 64 pages versus a regular issue of 72 pages and were each priced at $3.49. Effective with the March 30, 2009 issue, we changed *Country Weekly* from a bi-weekly to a weekly publication. Effective with the April 6, 2009 issue, we reduced the number of pages of *Country Weekly* from 72 to 64 pages.
(4) Amount includes one expanded issue for *Star* that included 108 pages versus a regular issue of 96 pages and was priced at $4.49. Amount also includes two special issues for *Star* priced at $3.99 and $4.99, respectively.
(5) We increased the U.S. cover price of *Star* from $3.49 to $3.99 effective with the March 31, 2008 issue.
(6) Amount includes seven reduced issues for *Star* that included 84 pages versus a regular issue of 96 pages and was priced at $3.49.

Subscription Sales

Our overall strategy with respect to subscriptions is to obtain the most cost-efficient subscriptions in meeting our circulation rate base. To accomplish this strategy, we focus on magazine specific sales of our titles through inserts, direct mailings, in-house advertisements and third party agents. Effective with the March 9, 2009 issue, subscriptions for *Country Weekly* were discontinued as we transitioned this publication from an advertising/rate-based publication to a newsstand-based publication.

Advertising Revenue

Our advertising revenue is generated by national advertisers, including sports nutrition products, automotive, entertainment, packaged goods, pharmaceutical, sports apparel, beauty and cosmetics, fashion, and direct response.

Competition

Each of our Celebrity Publications faces competition in its subject area from a variety of publishers and competes for readers on the basis of the quality of its targeted editorial content, display rack placements and editorial staffing. Competition for advertising revenues is largely based upon circulation levels, readership, demographics, price and advertising results. We believe that our most significant direct competitors in the celebrity print media are Time Warner Inc. (which publishes *People*, *In Style* and *Entertainment Weekly*), Wenner Media, Inc. (which publishes *US Weekly*), Bauer Publishing (which publishes *In Touch* and *Life & Style*), and Northern & Shell North America Ltd. (which publishes *OK!*). Competition for *Country Weekly* is primarily from Time Warner Inc. (which publishes *People's Country*) and two national cable networks, CMT (Country Music Television) and Great American Country, along with their respective web sites. As use of the internet and new on-line ventures focusing on celebrity news has increased, we have faced additional competition.

TABLOID PUBLICATIONS SEGMENT

Our Tabloid Publications segment aggregates the following titles, which have leading market positions in the categories they serve.

- *National Enquirer* is a weekly general interest publication with an editorial content devoted to celebrities, investigative reporting, human interest stories and articles covering lifestyle topics such as crime, health, fashion and beauty. We sell approximately 560,000 single copies of *National Enquirer* per week primarily in the United States and Canada. *National Enquirer* has a total average weekly circulation of approximately 784,000 copies, including subscriptions, and an estimated total weekly readership of 9.2 million.

- *Globe* is a weekly tabloid with features that are less time-sensitive and focuses on political scandals and investigative crime stories that are less mainstream and more hard-hitting than *National Enquirer*. *Globe* has an average weekly single copy circulation of 304,000 copies, with a total average weekly circulation of approximately 352,000 copies, including subscriptions, and an estimated total weekly readership of 1.0 million.

- *National Examiner's* editorial content consists of celebrity and human-interest stories, differentiating it from the other titles through its upbeat positioning as the "gossip, contests, women's service and good news" tabloid. *National Examiner* has an average weekly single copy circulation of 110,000 copies, with a total average weekly circulation of approximately 125,000 copies, including subscriptions, and an estimated total weekly readership of 1.0 million.

Circulation

The following table sets forth average circulation (per issue) and U.S. cover prices for our Tabloid Publications segment as follows:

	For Fiscal Year Ended		
	March 31, 2010	March 31, 2009	March 31, 2008
	(Circulation data in thousands)		
Tabloid Publications Segment			
National Enquirer			
Total Circulation	784	899	1,001
Subscription Circulation	224	274	314
Single Copy Circulation	560	625 (3)	687 (1)
Cover Price	$3.69 (1)	$3.49 (1)	$3.49 (1)
Globe			
Total Circulation	352	379	412
Subscription Circulation	48	58	67
Single Copy Circulation	304	321	345 (2)
Cover Price	$3.69 (1)	$3.49 (1)	$3.49 (1)
National Examiner			
Total Circulation	125	137	153
Subscription Circulation	15	18	23
Single Copy Circulation	110	119 (4)	130
Cover Price	$3.49 (1)	$3.29 (1)	$2.49 (1)

(1) Effective with the March 31, 2008 issue, we increased the U.S. cover price of *National Enquirer* from $3.29 to $3.49. Effective with the May 4, 2009 issue, we increased the U.S. cover price of *National Enquirer* from $3.49 to $3.59. We then increased the U.S. cover price of *National Enquirer* from $3.59 to $3.69 effective with the October 5, 2009 issue. Effective with the March 31, 2008 issue, we increased the U.S. cover price of *Globe* from $3.29 to $3.49, and then to $3.59 effective with the May 4, 2009 issue. We then increased the U.S. cover price of *Globe* from $3.59 to $3.69 effective with the October 5, 2009 issue. We increased the U.S. cover price of *National Examiner* from $2.49 to $2.99 effective with the August 11, 2008 issue, then to $3.29 effective with the October 13, 2008 issue, and to $3.39 effective with the May 4, 2009 issue. We then increased the U.S. cover price of *National Examiner* from $3.39 to $3.49 effective with the October 5, 2009 issue.
(2) Effective with the October 22, 2007 issue, we increased the number of pages of *Globe* from 56 to 60 pages.
(3) Amount includes one special issue of *National Enquirer* that included 96 pages and was priced at $5.49.
(4) Effective with the August 11, 2008 issue, we increased the number of pages of *National Examiner* from 48 to 56 pages.

Competition

National Enquirer, Globe, and *National Examiner* compete in varying degrees with other publications sold at retailers' checkout counters, as well as forms of media concentrating on celebrity news, such as internet sites, certain newspapers, magazines and television and radio programs. We believe that historical declines in single copy circulation of *National Enquirer, Globe,* and *National Examiner* have resulted in part from increased competition from these publications and other forms of media. Competition for circulation is largely based upon the content of the publication, its placement in retail outlets and its price. Competition for advertising revenues is largely based upon circulation levels, readership, demographics, price and advertising results. As use of the internet and new on-line ventures focusing on celebrity news has increased, we have faced additional competition.

WOMEN'S HEALTH AND FITNESS PUBLICATIONS SEGMENT

Our Women's Health and Fitness Publications segment aggregates the following titles, which have leading market positions in the categories they serve.

- *Shape* is the leader in circulation and advertising revenues in the women's active lifestyle and health and fitness category. *Shape's* mission is to help women lead a healthier lifestyle by providing information on exercise techniques, nutrition, psychology and other inspirational topics, while also offering extensive beauty and fashion coverage. *Shape* has a total average monthly circulation of approximately 1.7 million copies, including monthly subscriptions of 1.4 million and an estimated total monthly readership of 6.0 million.

- *Fit Pregnancy* was spun off from *Shape* in 1995. *Fit Pregnancy's* editorial focus makes it a premier lifestyle magazine for *Shape* women during pregnancy, as well as the first six months after childbirth and the two-year postpartum period. *Fit Pregnancy* delivers authoritative information on health, fashion, food and fitness. *Fit Pregnancy* has a total average bi-monthly circulation of approximately 495,000 copies, including a combined bi-monthly paid and verified non-paid subscriptions of 446,000, and an estimated total bi-monthly readership of 2.5 million.

Circulation

The following table sets forth average circulation (per issue) and U.S. cover prices for our Women's Health and Fitness Publications segment as follows:

	For Fiscal Year Ended		
	March 31, 2010	**March 31, 2009**	**March 31, 2008**
	(Circulation data in thousands)		
Women's Health and Fitness Publications Segment			
Shape			
Total Circulation	1,657	1,685	1,728
Subscription Circulation	1,369	1,387	1,363
Single Copy Circulation	288 (1)	298 (1)	365
Cover Price	$4.99	$4.99 (2)	$3.99
Fit Pregnancy			
Total Circulation	495	510	508
Subscription Circulation (paid & verified non-paid)	446	445	439
Single Copy Circulation	49	65	69
Cover Price	$5.95	$5.95 (2)	$4.95

(1) Amounts include one special issue for *Shape* in December 2008 priced at $4.99 and one special issue for *Shape* in February 2010 priced at $5.99.

(2) Effective with the January 2009 issue, we increased the U.S. cover price of *Shape* from $3.99 to $4.99. Effective with the September 2008 issue, we increased the U.S. cover price of *Fit Pregnancy* from $4.95 to $5.95.

Subscription Sales

Our overall strategy with respect to subscriptions is to obtain the most cost-efficient subscriptions in meeting our circulation rate base. To accomplish this strategy, we focus on magazine specific sales of our titles through inserts, direct mailings, in-house advertisements and third party agents.

Advertising Revenue

Our advertising revenue is generated by national advertisers, including beauty and cosmetics, packaged goods, automotive, entertainment, pharmaceutical, sports apparel, sports nutrition products, fashion and direct response. Advertising revenue is typically lowest in the third quarter of our fiscal year due to seasonality.

Competition

Each of our Women's Health and Fitness Publications faces competition in its subject area from a variety of publishers and competes for readers on the basis of the quality of its targeted editorial content, display rack placements and editorial staffing. Competition for advertising revenues is largely based upon circulation levels, readership, demographics, price and advertising results. We believe that our Women's Health and Fitness Publications' most significant direct competitors include Condé Nast Publications, Inc. (which publishes *Self*), Meredith Corporation (which publishes *Fitness*, *Parents* and *American Baby*) and Rodale Inc. (which publishes *Women's Health*).

DISTRIBUTION SERVICES SEGMENT

DSI arranges for the placement of our publications and third-party publications with retailers, and monitors, through its regional managers and merchandising staff, that our publications and third-party publications are properly displayed in stores. DSI does not physically distribute our publications. All deliveries of our publications are made through third-party wholesalers. DSI's merchandising services relate to various services performed by DSI to ensure that our third-party wholesalers properly deliver our publications and third-party publications to the correct rack locations at each retailer. DSI's sales and marketing services relate to various point of purchase services performed by DSI to increase our publications' and third-party publications' newsstand sales at retail locations.

In addition to the services DSI provides for our publications, DSI acts as a "category manager/front-end advisor" for approximately 39% (based on our estimates) of all new front-end racking programs. This represents approximately 47% (based on our estimates) of all the racks placed annually in the United States and Canada by supermarkets, drugstores, mass market chains and other high volume retailers for our category. DSI continues to leverage its network of field representatives, which are regularly in retail outlets performing its services, by expanding its services to provide merchandising, advertisement placements, resetting of rack programs and point of purchase information gathering services to consumer product companies outside the publishing industry. We continue to expand the distribution of our publications into specialty and niche retail accounts utilizing DSI's extensive retail relationships.

Approximately every three years, supermarkets and other retailers typically redesign their front-end racks, generally as part of store renovations or new store openings. As a "category manager/front-end advisor" DSI is selected by retailers to assist in coordinating the selection and positioning of magazines and overall front-end space on the retailers' racks. Publishers, including the Company, which are allocated space on a rack, enter into agreements directly with the retailer for the payment of fees (rack costs) or other charges with respect to that space. DSI uses its role as "category manager/front-end advisor" of new front-end rack programs initiated by retailers in the United States to achieve better placement of our publications and of the publications of DSI's third-party publishing clients.

Competition

DSI primarily competes with Time Warner Retail Services, Inc. and Comag Marketing Group, LLC (a joint venture between The Hearst Corporation and Condé Nast Publications, Inc.) in providing marketing and distribution services to magazine publishers.

CORPORATE/OTHER SEGMENT

Our Corporate/Other segment aggregates *Muscle & Fitness* and several other publications, publishing services, ancillary sales and corporate overhead.

While most of the publications aggregated in the Corporate/Other segment have certain similar products and services, production processes, type or class of customers and method of distribution as some of the other publications which are aggregated in the other reporting segments (Celebrity Publications, Tabloid Publications and Women's Health and Fitness Publications), their economic characteristics are dissimilar with such other publications. Accordingly, we aggregated those publications in the Corporate/Other reporting segment.

Our publications in the Corporate/Other segment include the following titles, which have leading market positions in the categories they serve.

- *Muscle & Fitness* is the preeminent monthly fitness training magazine, appealing to exercise enthusiasts and athletes of all ages, especially those focused on resistance training, body fat control and sports nutrition. *Muscle & Fitness* has 70 years of brand equity and has served as a successful brand extension foundation for new titles. *Muscle & Fitness* has a total average monthly circulation of approximately 402,000 copies, including monthly subscriptions of 291,000, and an estimated total monthly readership of 6.5 million.

- *Men's Fitness* is a leading magazine published ten times a year, for men 18-34 years old with active lifestyles. The magazine promotes a multi-training approach towards exercise and nutrition, while also offering information and advice in the areas of career, relationships, fashion and sports. *Men's Fitness* has a total average circulation per issue of approximately 614,000 copies, including subscriptions per issue of 528,000, and an estimated total readership per issue of 6.9 million.

- *Muscle & Fitness Hers* is a bi-monthly magazine designed for the active woman who demands more out of fitness. *Muscle & Fitness Hers* delivers a competitive edge for expert training, nutrition, health, beauty and fashion tips for today's woman. *Muscle & Fitness Hers* readers are typically college educated, professional, fitness enthusiasts. *Muscle & Fitness Hers* has a total average bi-monthly circulation of approximately 96,000 copies, including subscriptions, and an estimated total bi-monthly readership of 479,000.

- *Flex*, which was spun off from *Muscle & Fitness* in 1983, is a monthly magazine devoted to professional bodybuilding. The magazine delivers nutrition and performance science information for bodybuilding enthusiasts. As *Flex* is a premier title in the bodybuilding segment, it receives a significant share of advertising devoted to the sports nutritional and vitamin business. *Flex* has a total average monthly circulation of approximately 105,000 copies, including monthly subscriptions of 63,000, and an estimated total monthly readership of 1.8 million.

- *Natural Health*, published for more than 30 years, is a leading wellness magazine published ten times during fiscal year 2010 and eight times beginning in fiscal year 2011, offering readers practical information to benefit from the latest scientific knowledge and advancements in the field of natural health, including advice to improve beauty and fitness. *Natural Health* has a total average circulation per issue of approximately 312,000 copies, including subscriptions of 271,000, and an estimated total readership of 1.6 million.

- *Sun* is a tabloid whose editorial content is skewed to an older target audience and focuses on religion, health, holistic remedies, predictions and prophecies. *Sun* also includes entertaining and unusual articles from around the world. *Sun* has a total average weekly circulation of approximately 49,000 copies, including subscriptions, and an estimated total weekly readership of 392,000.

- *Mira!* is a Spanish language tabloid that features exclusive news and gossip about the hottest stars in the Latino market in movies, television and music, along with interviews and in-depth stories spotlighting them at work and at play. It is distributed at checkout counters in mass merchandisers, supermarkets and bodegas in the top Hispanic markets in the United States. The tabloid was launched in June 2000 and was changed from a bi-weekly to a weekly publication effective with the February 9, 2009 issue. Effective with the January 19, 2009 issue, subscriptions for *Mira!* were discontinued. *Mira!* had an average single copy circulation of approximately 31,000 copies per issue and an estimated total readership of 231,000 per issue. It is the largest weekly Spanish language celebrity tabloid in the United States.

Circulation

The following table sets forth average circulation (per issue) and U.S. cover prices for our Corporate/Other segment as follows:

	For Fiscal Year Ended		
	March 31, 2010	March 31, 2009	March 31, 2008
	(Circulation data in thousands)		
Corporate/Other Segment			
Muscle & Fitness			
Total Circulation	402	415	440
Subscription Circulation	291	291	289
Single Copy Circulation	111 (4)	124 (4)	151
Cover Price	$6.99	$6.99	$6.99 (2)
Men's Fitness			
Total Circulation	614	716	738
Subscription Circulation	528	602	614
Single Copy Circulation	86 (4)	114 (4)	124
Cover Price	$4.99 (2)	$4.50 (2)	$3.99
Muscle & Fitness Hers			
Total Circulation	96	102	107
Subscription Circulation	27	20	15
Single Copy Circulation	69	82	92
Cover Price	$4.99	$4.99	$4.99
Flex			
Total Circulation	105	107	101
Subscription Circulation	63	63	51
Single Copy Circulation	42	44	50
Cover Price	$6.99	$6.99	$6.99 (2)
Natural Health			
Total Circulation	312	359	365
Subscription Circulation	271	313	315
Single Copy Circulation	41	46	50
Cover Price	$4.99 (3)	$4.50 (3)	$4.50 (3)
Sun			
Single Copy Circulation	49	48	52
Cover Price	$3.39 (1)	$3.29 (1)	$2.99
Mira!			
Single Copy Circulation	31	48 (5)	72
Cover Price	$2.69 (1)	$2.29 (1)	$2.49

(1) We increased the U.S. cover price of *Mira!* from $2.49 to $2.69 effective with the May 12, 2008 issue, and then reduced the U.S. cover price of *Mira!* to $2.29 effective with the February 9, 2009 issue. We then increased the U.S. cover price of *Mira!* from $2.29 to $2.69 effective with the July 13, 2009 issue. We increased the U.S. cover price of *Sun* from $2.99 to $3.29 effective with the August 11, 2008 issue. We then increased the U.S. cover price of *Sun* from $3.29 to $3.39 effective with the October 5, 2009 issue.

(2) We increased the U.S. cover price of *Muscle & Fitness* from $5.99 to $6.99 effective with the May 2007 issue. We increased the U.S. cover price of *Men's Fitness* from $3.99 to $4.50 effective with the May 2008 issue. We then increased the U.S. cover price of *Men's Fitness* from $4.50 to $4.99 effective with the August 2009 issue. We increased the U.S. cover price of *Flex* from $5.99 to $6.99 effective with the May 2007 issue.

(3) We increased the U.S. cover price of *Natural Health* from $3.95 to $4.50 effective with the May 2007 issue. We then increased the U.S. cover price of *Natural Health* from $4.50 to $4.99 effective with the May 2009 issue.

(4) Amounts include one special issue for *Muscle & Fitness* priced at $4.99 in February 2009 and February 2010, respectively, and one special issue for *Men's Fitness* priced at $5.99 in December 2008/January 2009 and December 2009/January 2010, respectively.

(5) Effective with the February 9, 2009 issue, we changed *Mira!* from a bi-weekly to a weekly publication and reduced the number of pages of *Mira!* from 60 to 48 pages.

Subscription Sales

Our overall strategy with respect to subscriptions is to obtain the most cost-efficient subscriptions in meeting our circulation rate base. To accomplish this strategy, we focus on magazine specific sales of our titles through inserts, direct mailings, in-house advertisements and third party agents. Effective with the January 19, 2009 issue, subscriptions for *Mira!* were discontinued as we transitioned this publication from an advertising/rate-based publication to a newsstand-based publication.

Advertising Revenue

Our advertising revenue is generated by national advertisers, including sports nutrition products, automotive, entertainment, packaged goods, pharmaceutical, sports apparel, beauty and cosmetics, fashion, tobacco and direct response. Advertising revenue is typically lowest in the third quarter of our fiscal year due to seasonality.

Competition

Each of our Corporate/Other segment publications faces competition in its subject area from a variety of publishers and competes for readers on the basis of the quality of its targeted editorial content, display rack placements and editorial staffing. Competition for advertising revenues is largely based upon circulation levels, readership, demographics, price and advertising results. We believe that our Corporate/Other segment publications' most significant direct competitors include Meredith Corporation (which publishes *Fitness*), Rodale Inc. (which publishes *Men's Health*), Wenner Media, Inc. (which publishes *Men's Journal*) and Advanced Research Press (which publishes *Muscular Development*).

Mira! and *Sun* compete in varying degrees with other publications sold at retailers' checkout counters, as well as forms of media concentrating on celebrity news, such as certain newspapers, magazines and television and radio programs. We believe that historical declines in single copy circulation of *Mira!* and *Sun* have resulted in part from increased competition from these publications and other forms of media. Competition for circulation is largely based upon the content of the publication, its placement in retail outlets and its price. Competition for advertising revenues is largely based upon circulation levels, readership, demographics, price and advertising results.

Ancillary Sales and Corporate Overhead

We have ancillary sales (primarily licensing, syndication and new media). New media consists of web sites for *Muscle & Fitness* (muscleandfitness.com), *Flex* (flexonline.com), *Men's Fitness* (mensfitness.com), *Shape* (Shape.com), *Muscle & Fitness Hers* (muscleandfitnesshers.com), *Natural Health* (naturalhealthmag.com), *Country Weekly* (countryweekly.com), *Fit Pregnancy* (fitpregnancy.com) and for the Mr. Olympia events (MrOlympia.com). Additionally, we maintain an online fitness portal (FitnessOnline.com) and have two websites focused on the sale of fitness merchandising (ShapeBoutique.com and MuscleStuff.com). Content producers at each publication's website coordinate with the editorial staff of the respective publication. Our print and digital advertising sales and marketing efforts are completely integrated within each publication. Our business development group handles content syndication, online licensing and new media growth areas such as wireless.

In October 2008, we entered into a limited liability company agreement (the "Radar Online Agreement") to form a joint venture ("Radar Online, LLC") to manage the RadarOnline.com website. Radar Online, LLC operates a celebrity news website (RadarOnline.com). Radar Online, LLC also operates websites for *Star* (starmagazine.com), *National Enquirer* (nationalenquirer.com) and *Globe* (globemagazine.com). We own 50% of Radar Online, LLC and account for this joint venture using the equity method, and therefore do not consolidate Radar Online, LLC in our Consolidated Financial Statements.

Corporate overhead includes executive staff, production and circulation department costs, as well as support departments such as information technology, accounting, legal, human resources and administration.

Weider UK

We publish international versions of *Muscle & Fitness* and *Flex*, both of which are excluded from the table above, from our offices in Harrogate, England. These publications are tailored to the local markets in the United Kingdom, France, Italy, Germany, Holland and Australia. Additionally, they are distributed throughout other countries in Western Europe, Canada and New Zealand. In the six target markets, they are the industry leader in their categories for circulation and advertising revenues.

License Agreement - UFC Magazine

In August 2009, we entered into a magazine publishing and license agreement with Zuffa, LLC ("UFC"). Under this agreement, we licensed from UFC the right to publish, produce, market and distribute a publication titled *UFC Magazine*. The first issue of *UFC Magazine* under this agreement went on sale in November 2009. In consideration for the licensing rights, we will make quarterly payments to UFC based on the net profit generated by *UFC Magazine*.

Publishing Services - Playboy

In November 2009, we entered into a publishing services agreement with Playboy. Under this agreement, we assumed responsibility for *Playboy* magazine's advertising sales and marketing, circulation and production management, newsstand distribution and back office financial services as of January 2010. In consideration for these services, Playboy makes payments to us for certain service fees, certain cost savings and subscription revenue incentives. In addition, we provide advertising services to Playboy.com and management for certain Playboy events.

Publishing Services - World Wrestling Entertainment

In November 2009, we entered into a publishing services agreement with WWE to provide advertising sales and other related support services for both *WWE* magazine and *WWE Kids* magazine as of February 2010. In consideration for these services, WWE pays us certain service fees.

PRODUCTION, TRANSPORTATION, AND DISTRIBUTION

Outside vendors perform the pre-press operations for substantially all of our publications and are responsible for transmitting files electronically to our third party printing plants. We also outsource the printing, transportation, and distribution of all our publications.

We have a printing agreement expiring in our fiscal year 2018 with R.R. Donnelley & Sons Company ("RR Donnelly") to print *National Enquirer, Globe, Shape, Men's Fitness, Fit Pregnancy, Muscle & Fitness, Muscle & Fitness Hers, Flex, Natural Health, National Examiner, Sun, Mira!* and *Country Weekly*. Additionally, we have printing agreements with Quad/Graphics, Inc. to print *Star* expiring in our fiscal year 2015, and Trend Offset Printing, Inc. to print *Star* expiring in our fiscal year 2012.

We have a pre-press agreement expiring in our fiscal year 2018 with RR Donnelley for *Shape, Men's Fitness, Muscle & Fitness Hers, Fit Pregnancy, Muscle & Fitness, Flex and Natural Health*. All other titles are under a pre-press contract with Vertis, Inc. ("Vertis") expiring in our fiscal year 2013. See Item 13, "Certain Relationships and Related Transactions, and Director Independence" for a discussion of our contract with Vertis.

We believe our relationships with our pre-press and printing companies are adequate and that there are printing and pre-press facilities available elsewhere, should the need arise.

Once printed, the newsstand copies are transported by unrelated third parties and distributed to newsstands primarily by three wholesalers. We estimate that these three wholesalers represented 81% of the newsstand distribution market as of March 31, 2010, while the remaining 19% is represented by several smaller wholesalers. In fiscal year 2010, two wholesalers each accounted for operating revenue greater than 10% of our total operating revenue and in the aggregate accounted for approximately 45% of our total operating revenue. We have service agreements with our wholesalers, which provide incentives to maintain certain levels of service. Wholesalers deliver the copies to approximately 110,000 retail sales locations. Subscription copies are distributed primarily by the United States Postal Service.

Paper is the principal raw material utilized by our publications. We purchase the paper directly from several suppliers based upon pricing and, to a lesser extent, availability, then deliver the paper to our third party printing companies. Paper is a commodity product with pricing affected by demand, capacity and economic conditions. We believe that adequate sources of supply are available to fulfill our current as well as future requirements. Our operating income could be significantly affected by changes in the price of paper used in our publications.

EMPLOYEE RELATIONS

At March 31, 2010, we employed approximately 654 persons equivalent to full-time employees (each, an "FTE"), excluding Distribution Services part-time employees. There are 74 FTEs in our Celebrity Publications segment, 70 FTEs are in our Tabloid Publications segment, 87 FTEs are in our Women's Health and Fitness Publications segment, 139 FTEs are in our Distribution Services segment and 284 FTEs are in our Corporate/Other segment. In addition, at March 31, 2010, we employed approximately 1,350 part-time merchandising employees in our Distribution Services segment. None of our employees are represented by any union or other labor organization. We have had no strikes or work stoppages during the last five years. We believe that our relations with our employees are good.

Item 1A. ***Risk Factors***

Our business faces many risks. We have described below the material risks that we face. There may be additional risks that we do not yet know of or that we do not currently perceive to be material that may also impact our business. Each of the risks and uncertainties described below could lead to events or circumstances that have a material adverse effect on our business, results of operations, cash flows, financial condition and business prospects.

OUR SUBSTANTIAL DEBT COULD IMPAIR OUR ABILITY TO OPERATE AND EXPOSE US TO CERTAIN RISKS.

Our future performance could be affected by our substantial amount of debt. As of March 31, 2010, our total principal amount of outstanding debt was approximately $816.2 million, consisting of $453.9 million principal amount of debt under the 2009 Credit Agreement, $7.5 million remaining principal amount of Prior Notes, $22.7 million principal amount of Senior PIK Notes and $332.1 million principal amount of Senior Subordinated Notes. Our total consolidated interest expense for the fiscal year ended March 31, 2010 was $50.6 million. In addition, subject to certain exceptions, the covenants in the 2009 Credit Agreement restrict us from paying dividends in cash, securities or other property, incurring additional debt, entering into certain mergers or consolidations, making acquisitions, investments or capital expenditures and selling or otherwise disposing of assets. See Note 6, "Credit Agreement," and Note 7, "Senior Subordinated Indebtedness," in the Notes to Consolidated Financial Statements in Item 8 herein for details.

Our high level of debt could have important consequences for our business and operations, including the following:

- our debt level requires that a substantial portion of our cash flow from operations be used for the payment of interest on debt, reducing our ability to use our cash flow to fund working capital, capital expenditures and general corporate requirements;

- some of our debt under the 2009 Credit Agreement has a variable rate of interest, which exposes us to the risk of increased interest rates;

- we may have a much higher level of debt than certain of our competitors, which may put us at a competitive disadvantage;

- our debt level makes us more vulnerable to economic downturns and adverse developments in our business;

- our debt level reduces our flexibility in responding to changing business and economic conditions, including increased competition in the publishing industry; and

- our debt level limits our ability to pursue other business opportunities, borrow more money for operations or capital in the future and implement our business strategy.

Under the 2009 Credit Agreement, we also must comply with certain specified financial ratios and tests. Our ability to satisfy such ratios and tests are dependent on our business performing in accordance with our projections. If the performance of our business deviates from our projections, we may not be able to satisfy such ratios and tests, including the senior secured leverage ratio under the 2009 Credit Agreement. If we do not comply with these or other covenants and restrictions, we could default under the 2009 Credit Agreement. Our outstanding debt under the 2009 Credit Agreement, together with accrued interest, could then be declared immediately due and payable. Our ability to comply with such provisions may be affected by events beyond our control. Moreover, the instruments governing almost all of our other debt contain cross-acceleration provisions so that an acceleration under any of our debt may result in a default under our other debt instruments. If a cross-acceleration occurs, the maturity of almost all of our debt could be accelerated and become immediately due and payable. If that happens, we would not be able to satisfy our debt obligations, which would have a substantial adverse effect on our ability to continue as a going concern.

Obligations under the 2009 Credit Agreement are secured by substantially all of our assets and the assets of all of our domestic subsidiaries. In addition, our obligations under the 2009 Credit Agreement are secured by a pledge of all of the issued and outstanding shares of, or other equity interests in, substantially all of our existing or subsequently acquired or organized domestic subsidiaries and a percentage of the capital stock of, or other equity interests in, certain of our subsequently acquired or organized foreign subsidiaries. If we or one of our restricted subsidiaries are declared bankrupt or insolvent or if we default under the 2009 Credit Agreement, the lenders could declare all of the funds borrowed thereunder, together with accrued interest, immediately due and payable. If we were unable to repay such debt, the lenders could

foreclose on the pledged stock of our subsidiaries and on the assets in which they have been granted a security interest, even if an event of default exists under either series of our New Notes at such time. We may not have sufficient funds to repay our New Notes after the foreclosure on such assets.

FUTURE ACQUISITIONS, PARTNERSHIPS, PUBLISHING SERVICES AGREEMENTS AND JOINT VENTURES MAY REQUIRE SIGNIFICANT RESOURCES AND/OR RESULT IN SIGNIFICANT UNANTICIPATED LOSSES, COSTS OR LIABILITIES.

In the future, we may seek to grow the Company and its businesses by making acquisitions or entering into partnerships, publishing services agreements or joint ventures. Any future acquisition, partnership, publishing service agreement or joint venture may require that we make a significant cash investment, issue stock or incur substantial debt. In addition, acquisitions, partnerships, publishing services agreements or investments may require significant managerial attention, which may be diverted from our other operations. These capital, equity and managerial commitments may impair the operation of our businesses. Furthermore, any future acquisitions of businesses or facilities could entail a number of additional risks, including:

- problems with effective integration of operations;
- the inability to maintain key pre-acquisition business relationships;
- increased operating costs;
- exposure to unanticipated liabilities; and
- difficulties in realizing projected efficiencies, synergies and cost savings.

We have incurred indebtedness to finance past acquisitions. We may finance future acquisitions with additional indebtedness, subject to limits in our debt agreements. As a result, we could face the financial risks associated with incurring additional indebtedness such as reducing our liquidity and access to financing markets and increasing the amount of cash flow required to service such indebtedness.

OUR PERFORMANCE COULD BE ADVERSELY AFFECTED IF WE LOSE OUR KEY PERSONNEL.

We believe that our success is largely dependent on the abilities and experience of our senior management team. The loss of the services of one or more of these senior executives could adversely affect our ability to effectively manage our overall operations or successfully execute current or future business strategies. We do not maintain key man life insurance on the lives of our senior management. We have entered into employment contracts with our senior management team, all of which contain non-compete provisions. While we believe that we could find replacements for these key personnel, the loss of their services could have a significant adverse effect on our operations.

IF WE FAIL TO IMPLEMENT OUR BUSINESS STRATEGY, OUR BUSINESS WILL BE ADVERSELY AFFECTED.

Our future financial performance and success are dependent in large part upon our ability to successfully implement our business strategy. We cannot assure you that we will be able to successfully implement our business strategy or be able to improve our operating results. In particular, we cannot assure you that we will be able to increase circulation of our publications, obtain new sources of advertising revenues, generate additional revenues by building on the brand names of our publications, attract new clients for DSI or raise the cover prices of our publications without causing a decline in circulation. Furthermore, any growth through acquisitions and investments will be dependent upon identifying suitable acquisition or investment candidates and successfully consummating such transactions and integrating the acquired operations at reasonable costs. We may not successfully integrate any acquired businesses or publishing services client and may not be able to achieve anticipated revenue and cost benefits.

Such acquisitions and investments may require additional funding which may be provided in the form of additional debt, equity financing or a combination thereof. We cannot assure you that any such additional financing will be available to us on acceptable terms or at all or that we will be permitted under the terms of the 2009 Credit Agreement (or any replacement thereof) or under the terms of our Indentures to obtain such financing for such purpose.

Any failure to successfully implement our business strategy may adversely affect our ability to service our indebtedness, including our ability to make principal and interest payments on the debt. We may, in addition, decide to alter or discontinue certain aspects of our business strategy at any time.

OUR BUSINESS AND RESULTS OF OPERATIONS ARE AFFECTED BY AND DEPENDENT UPON DISCRETIONARY CONSUMER SPENDING PATTERNS.

Our business is sensitive to a number of factors that influence the level of discretionary consumer spending, including political and economic conditions, such as recessionary and inflationary environments. Notably, recent increases in the retail price of gasoline and the potential for further increases in gasoline and other energy costs, increases in credit card, home mortgage, and other borrowing costs, and declines in housing values could lead to declines in overall consumer confidence and discretionary spending. A decline in discretionary consumer spending on publications, particularly those sold at retailers' checkout counters and those targeting certain demographics particularly affected by challenging economic conditions, could have a material adverse effect on our business, operating results and profitability.

GENERAL ECONOMIC TRENDS, AS WELL AS TRENDS IN ADVERTISING SPENDING AND COMPETITION, ALONG WITH DECLINES IN SINGLE COPY CIRCULATION, MAY REDUCE OUR ADVERTISING AND CIRCULATION REVENUES WHICH REPRESENT THE VAST MAJORITY OF OUR REVENUES.

Our advertising and circulation revenues, which accounted for 92% of our total operating revenues in fiscal year 2010, are subject to the risks arising from adverse changes in domestic and global market conditions (i.e., recessionary environments or increases in gas prices and interest rates) and possible shifting of advertising spending from print to Internet or other media or decreases in advertising budgets. Extraordinary weather conditions, such as hurricanes (i.e., Hurricane Katrina in fiscal year 2006), can impact newsstand sales, advertising revenues and other revenues like distribution. Any adverse impact of economic conditions on our business may result in reductions in advertising and circulation revenue.

Our circulation revenues are subject to the risks arising from our ability to institute price increases for our print products and are affected by competition from other publications and other forms of media available in our various markets, changing consumer lifestyles resulting in decreasing amounts of free time, declining frequency of regular magazine buying among young people, and increasing costs of circulation acquisition.

We believe that the principal factors contributing to the declines in our single copy circulation include: (1) the current economic slowdown; (2) increased competition from other publications and forms of media, such as certain newspapers, television and radio programs and Internet sites concentrating on celebrity news; (3) a general industry-wide decline in single copy circulation of individual publications due to an increasing number of publications in the industry; and (4) diminished service levels from wholesalers who distribute our magazines to retailers and fill the pockets at checkout counters as a result of consolidation among wholesalers and their related efforts to cut expenses.

Historically, we have been able to offset some of the declines in single copy circulation, in part, through increases in cover prices and cost reductions. We cannot assure you that we will be able to increase cover prices without decreasing circulation, or be able to take other measures, such as increasing advertising revenue rates or pages, and decrease promotion expenses of our titles to offset such circulation declines, or that the single copy circulation declines described above will be reversed. Continued declines in circulation could have a material adverse effect on our business and financial performance and condition.

WE OPERATE IN A VERY COMPETITIVE BUSINESS ENVIRONMENT.

Star, National Enquirer, Globe, National Examiner, Sun, Mira! and *Country Weekly* compete in varying degrees with other publications sold at retailers' checkout counters, as well as forms of media concentrating on celebrity news, such as certain tabloids, magazines and television and radio programs. We believe that historical declines in single copy circulation of *National Enquirer, Globe* and *National Examiner* have resulted in part from increased competition from these publications and forms of media. Competition for circulation is largely based upon the content of the publication, its placement in retail outlets and its price. Competition for advertising revenues is largely based upon circulation levels, readership, demographics, price, and advertising results. Certain of our competitors have substantially larger operating staffs, greater capital resources and greater revenues from their publications. In this respect, we may be at a competitive disadvantage with such entities. We believe that currently our most significant direct competitors in the print media are Time Warner Inc. (which publishes *People, People's Country, In Style* and *Entertainment Weekly*), Wenner Media, Inc. (which publishes *US Weekly* and *Men's*

Journal), Rodale Inc. (which publishes *Men's Health* and *Woman's Health*), Bauer Publishing (which publishes *In Touch* and *Life & Style*), Condé Nast Publications, Inc. (which publishes *Self*) and Northern & Shell North America Ltd. (which publishes *OK!*). As use of the Internet and new on-line ventures focusing on celebrity news has increased, we have faced additional competition.

In addition, we compete with many other companies providing marketing and distribution services, such as full-service national distributors, wholesalers and publishers with their own marketing organizations. Certain of our competitors have substantially larger operating staffs and greater capital resources. In this respect, we may be at a competitive disadvantage with such entities.

Increased competition may result in less demand for our products and services which may have a material adverse effect on our business, results of operations and financial condition.

OUR BUSINESS AND RESULTS OF OPERATIONS MAY BE ADVERSELY AFFECTED BY INCREASES IN FUEL COSTS AND INCREASES IN THE PRICE OF PAPER OR POSTAGE.

Many aspects of our business have been directly affected by increases in the cost of fuel. Increased fuel costs have translated into increased costs for the products and services we receive from our third party suppliers including, but not limited to, increased production and distribution costs for our products. In particular, paper and postage represent significant components of our total cost to produce and distribute our printed products. Paper is a commodity and its price has been subject to significant volatility. Furthermore, because the United States Postal Service and Canada Post Corporation distributes substantially all of our subscription publications and many of our marketing materials, increases in the cost of postage to mail our subscription publications may have an adverse effect on our business. We cannot predict with certainty the magnitude of future price changes in paper and postage or how increases in fuel costs will affect our third party suppliers and the rates they charge us. If fuel, paper or postage prices increase, and we cannot pass these costs on to our customers, such increases may have a material adverse effect on our business, results of operations and financial condition.

OUR BUSINESS MAY BE ADVERSELY AFFECTED IF WE LOSE ONE OR MORE OF OUR VENDORS.

A loss of one or more of our vendors related to production or circulation or a disruption in one of those vendors' businesses or a failure by one of them to meet our production or circulation needs on a timely basis could cause temporary shortages in needed materials or services which could have a negative effect on our business and results of operations.

TERRORIST ATTACKS AND OTHER ACTS OF VIOLENCE OR WAR MAY AFFECT THE FINANCIAL MARKETS AND OUR BUSINESS, RESULTS OF OPERATIONS AND FINANCIAL CONDITION.

Terrorist attacks may negatively affect our operations and financial condition. There can be no assurance that there will not be further terrorist attacks against the United States or U.S. businesses. These attacks or armed conflicts may directly impact our physical facilities or those of our retailers and customers. These events could cause consumer confidence and spending to decrease or result in increased volatility in the U.S. and world financial markets and economy. They could result in an economic recession in the United States or abroad. Any of these occurrences could have a material adverse impact on our business, results of operations and financial condition.

PENDING AND FUTURE LITIGATION OR REGULATORY PROCEEDINGS COULD MATERIALLY AFFECT OUR OPERATIONS.

Because the focus of some of our publications often involves celebrities or controversial subjects and because of our news gathering techniques, the risk of defamation or invasion of privacy litigation or the filing of criminal charges exists. While we have not historically experienced any difficulty obtaining insurance coverage, we cannot assure you that we will be able to do so in the future at rates acceptable to us or at all. There are currently no such claims pending that we believe would have a material adverse effect on our operations. We cannot assure you that any pending or future litigation, if adversely determined, would not have a material adverse effect on our business, results of operations and financial condition.

The Securities and Exchange Commission (the "SEC") is conducting an informal inquiry in connection with the restatement of our financial statements for the fiscal year ended March 31, 2005, and the fiscal quarters ended June 30, 2005 and September 30, 2005 (the "Restatement"). We are cooperating fully with this inquiry. We cannot predict the outcome of this

inquiry, including whether the SEC will take any action against us. Likewise, we are unable to predict whether there will be private civil litigation as a result of the Restatement.

IF OUR GOODWILL OR OTHER IDENTIFIABLE INTANGIBLE ASSETS BECOME IMPAIRED, WE MAY BE REQUIRED TO RECORD A SIGNIFICANT CHARGE TO EARNINGS.

As of March 31, 2010, the net book value of our goodwill and other intangible assets was approximately $502.5 million. Accounting rules require us to record a charge against our earnings to the extent that any of these assets are impaired. Accordingly, impairment of our goodwill, tradenames, covenants not to compete, subscriber lists, advertising relationships, non-subscriber customer relationships or the impairment of other intangible assets due to litigation, obsolescence, competitive factors or other reasons could result in a material charge against our earnings and have a material adverse effect on our results of operations.

SOME PROVISIONS OF DELAWARE LAW AND MEDIA'S AMENDED AND RESTATED CERTIFICATE OF INCORPORATION, AS WELL AS OUR STOCKHOLDERS AGREEEMENT, MAY DETER THIRD PARTIES FROM ACQUIRING US.

Provisions contained in Media's amended and restated certificate of incorporation and the laws of Delaware, the state in which Media is incorporated, could make it more difficult for a third party to acquire us, even if doing so might be beneficial to our stockholders. Provisions of Media's amended and restated certificate of incorporation impose various procedural and other requirements, which could make it more difficult for stockholders to effect certain corporate actions. These anti-takeover defenses could discourage, delay or prevent a transaction involving a change in control. These provisions could also discourage proxy contests and make it more difficult for stockholders to elect directors of their choosing and cause Media to take other corporate actions that Media's stockholders desire.

WE MAY NOT BE ABLE TO MAINTAIN AN EFFECTIVE SYSTEM OF INTERNAL AND DISCLOSURE CONTROLS OVER FINANCIAL REPORTING.

Effective internal and disclosure controls are necessary for us to provide reliable financial reports, effectively prevent fraud and operate successfully. If we cannot provide reliable financial reports or prevent fraud, our operating results and reputation would be harmed. As part of our ongoing monitoring, we may discover material weaknesses or significant deficiencies in our internal control over financial reporting that require remediation.

We cannot assure that internal or disclosure control deficiencies might not be identified in the future. Any failure to maintain effective controls or timely effect any necessary improvement of our internal and disclosure controls could, among other things, result in losses from fraud or error, cause us to not satisfy our reporting obligations, cause investors to lose confidence in our reported financial information or harm our reputation, all of which could have a material adverse effect on our results of operations and financial condition.

WE MAY SUFFER CREDIT LOSSES THAT COULD ADVERSELY AFFECT OUR RESULTS OF OPERATIONS.

We extend unsecured credit to most of our customers. We recognize that extending credit and setting appropriate reserves for receivables is largely a subjective decision based on knowledge of the customer and the industry. Credit exposure also includes the amount of estimated unbilled sales. The level of credit is influenced by the customer's credit history with us and other available information, including industry-specific data.

We share partially in the credit risk for sales to our wholesalers under our agreement with our largest national distributor.

We maintain a reserve account for estimated losses resulting from the inability of our customers to make required payments. If the financial condition of our customers were to deteriorate, resulting in an impairment of their ability to pay, additional allowances might be required.

OUR SINGLE COPY REVENUES CONSIST OF COPIES SOLD PRIMARILY TO THREE WHOLESALERS.

As of March 31, 2010, single copy revenues consisted of copies distributed to newsstands primarily by three wholesalers, which we estimate represented 81% of the newsstand distribution market, as well as several smaller wholesalers who represented the remaining 19%. In fiscal year 2010, two wholesalers each accounted for greater than 10% of our total operating revenue and in the aggregate accounted for approximately 45% of our total operating revenue. We have service agreements with these wholesalers, which provide incentives to maintain certain levels of service. When these agreements expire, we cannot assure that our wholesalers will renew these agreements on favorable terms, extend the terms of these agreements or extend their relationship with us at all. Our operating results could be materially affected by disruption of the distribution of our magazines through the wholesalers.

EMPLOYEE BENEFIT COSTS ARE INCREASING SIGNIFICANTLY.

Health insurance costs have increased significantly faster than inflation on an annual basis during the past few years. We also anticipate that in coming years, the cost of health care will continue to escalate, causing an increase to our expenses and employee contributions.

Item 1B. ***Unresolved Staff Comments***

Item omitted as permitted pursuant to the terms of Section 4.03 of each of the Indentures.

Item 2. ***Properties***

The following table sets forth certain information with respect to our principal locations as of May 31, 2010. All such locations are leased. We consider the locations presently used for our operations as adequate for our present needs.

Location	Principal Use	Approximate Square Feet	Lease Expiration Date
Boca Raton, FL 1000 American Media Way	Executive, editorial, and administrative offices for our Tabloid Publications and Corporate/Other segments	55,660	Lease expires in 2012
New York, NY One Park Avenue	Executive, editorial, sales and administrative offices for all of our segments, except our Distribution Services segment	78,204	Lease expires in 2011
Woodland Hills, CA 21100 Erwin Street	Editorial, sales and administrative offices for our Women's Health and Fitness Publications and Corporate/Other segments	28,893	Lease expires in 2011
Los Angeles, CA 6420 Wilshire Blvd	Editorial offices for our Tabloid Publications and Celebrity Publications segments.	8,650	Lease expires in 2013
West Palm Beach, FL 1665 Palm Beach Lakes Blvd	Administrative offices for our Distribution Services segment	7,763	Lease expires in 2013

Item 3. ***Legal Proceedings***

On March 10, 2009, Anderson News, L.L.C. and Anderson Services, L.L.C., magazine wholesalers (collectively, "Anderson"), filed a lawsuit against Media, DSI and various magazine publishers, wholesalers and distributors in the Federal District Court for the Southern District of New York (the "Anderson Action"). Anderson's complaint alleges that the defendants violated Section 1 of the Sherman Anti-Trust Act by engaging in a purported industry-wide conspiracy to boycott Anderson and drive it out of business. Plaintiffs also purport to assert claims for defamation, tortious interference with contract, and civil conspiracy. The complaint does not specify the amount of damages sought. While it is not possible to predict with certainty the outcome of the Anderson Action or to estimate the impact on the Company, if any, Media and DSI have been, and intend to continue to, vigorously defend the case.

In addition, because the focus of some of our publications often involves celebrities or controversial subjects, the risk of defamation or invasion of privacy litigation exists. Our experience indicates that the claims for damages made in such lawsuits are usually defensible and heavily inflated and, in any event, any reasonably foreseeable material liability or settlement would likely be covered by insurance. There are currently no claims pending that we believe would have a material adverse effect on our Consolidated Financial Statements.

Item 4. ***[Reserved]***

PART II

Item 5. ***Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities***

Item omitted as permitted pursuant to the terms of Section 4.03 of each of the Indentures.

Item 6. ***Selected Financial Data***

The selected financial data for each of the five fiscal years ended March 31, 2010 below have been derived from the Consolidated Financial Statements of the Company, which have been audited by independent auditors. The following selected financial data should be read in conjunction with Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," our Consolidated Financial Statements and the Notes thereto and other financial information appearing elsewhere in this Annual Report.

	Fiscal Year Ended				
	March 31, 2010	March 31, 2009	March 31, 2008	March 31, 2007	March 31, 2006
Statement of Income (Loss) Data:					
Operating revenues	$ 412,430	$ 461,649	$ 490,774	$ 470,860	$ 478,978
Operating expenses **(1)**	331,453	588,680	423,720	724,555	559,802
Operating income (loss)	80,977	(127,031)	67,054	(253,695)	(80,824)
Interest expense **(4)**	(50,601)	(85,251)	(99,042)	(97,435)	(86,026)
Senior subordinated notes issued	-	-	(17,109)	-	-
Amortization of deferred debt costs	(3,893)	(9,849)	(10,926)	(7,987)	(10,727)
Other (loss) income, net **(2)**	-	537	2,522	2,907	2,075
Gain on extinguishment of debt	-	4,858	-	-	-
Income (loss) before provision (benefit) for income taxes, and income (loss) from discontinued operations	26,483	(216,736)	(57,501)	(356,210)	(175,502)
Provision (benefit) for income taxes	22,756	(33,339)	3,284	(22,936)	(42,873)
Income (loss) from continuing operations	3,727	(183,397)	(60,785)	(333,274)	(132,629)
Income (loss) from discontinued operations, net of income taxes **(3)**	-	500	(685)	(10,129)	(27,893)
Net income (loss)	3,727	(182,897)	(61,470)	(343,403)	(160,522)
Less: net income atrributable to the noncontrolling interest	(509)	(426)	(424)	(395)	(363)
Net income (loss) attributable to American Media Opearations, Inc and subsidiaries	$ 3,218	$ (183,323)	$ (61,894)	$ (343,798)	$ (160,885)
Balance Sheet Data:					
Total assets	$ 620,459	$ 666,843	$ 941,159	$ 979,283	$ 1,289,314
Property and equipment, net	$ 6,494	$ 6,262	$ 5,097	$ 6,906	$ 10,590
Deferred rack costs, net	$ 8,461	$ 6,686	$ 7,749	$ 11,838	$ 20,943
Goodwill and other identified intangibles, net	$ 502,520	$ 523,465	$ 747,415	$ 786,867	$ 1,108,330
Total debt, net of premium and discount **(4)**	$ 1,014,480	$ 1,061,991	$ 1,077,681	$ 1,060,217	$ 1,000,321
Total stockholder's (deficit) equity	$ (578,434)	$ (581,703)	$ (399,082)	$ (334,417)	$ 9,324
Other Data:					
Depreciation of property and equipment **(5)**	$ 3,283	$ 2,973	$ 4,233	$ 6,218	$ 11,531
Amortization of deferred rack costs **(5)**	$ 5,892	$ 11,232	$ 10,810	$ 17,204	$ 18,632

(1) We recorded a non-cash provision for impairment of intangible assets and goodwill of $17.6 million, $217.4 million, $31.1 million, $305.4 million and $131.7 million in fiscal years 2010, 2009, 2008, 2007 and 2006, respectively.

(2) Other income in fiscal years 2009 and 2008 was primarily related to interest income. Other income in fiscal year 2007 was primarily related to $1.2 million of cash received related to the recognition of the deferred gain on the sale of Frontline Marketing Inc. and $1.3 million related to interest income. Other income for fiscal year 2006 includes cash received of $1.6 million related to the sale of stock. We had provided advertising to a third party during fiscal year 2001, resulting in a receivable due from such third party, which we previously deemed to be worthless. In fiscal year 2003, we exchanged the receivable associated with that advertising for stock in the third party, which we sold in fiscal year 2006.

(3) In fiscal year 2007, we discontinued the publication of *Celebrity Living Weekly*, *MPH*, *Shape En Espanol* and *Looking Good Now* and during fiscal year 2008, we discontinued the publication of *Weekly World News*. As a result, the balances associated with these titles have been reclassified to income (loss) from discontinued operations, net of income taxes for all years presented.

(4) Includes current maturities of long-term debt and $198.4 million in fiscal year 2010 and $232.2 million in fiscal year 2009 in future interest payments on the New Notes reflected in the carrying amount of our Senior Subordinated Notes. We recorded the principal amount of the New Notes and all future interest payments associated with the New Notes in the accompanying Consolidated Balance Sheet included in Item 8 herein. As a result, we do not recognize interest expense on the New Notes.

(5) Includes balances associated with continuing and discontinued operations.

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

Introduction

The following is a discussion of our financial condition and results of operations for the three fiscal years ended March 31, 2010. This discussion should be read in conjunction with our Consolidated Financial Statements, and the Notes thereto, found in Item 8 herein and the Selected Financial Data found in Item 6 herein. The accompanying Management's Discussion and Analysis of Financial Condition and Results of Operations exclude the results of our discontinued operations for the fiscal years ended March 31, 2009 and 2008, respectively. See Note 3, "Discontinued Operations," in the Notes to Consolidated Financial Statements in Item 8 herein for a discussion regarding discontinued operations.

Executive Summary

We are a leading publisher in the field of celebrity journalism and health and fitness magazines. Our publications include *Star, Shape, Men's Fitness, Fit Pregnancy, Natural Health, Muscle & Fitness, Muscle & Fitness Hers, Flex, UFC Magazine, National Enquirer, Globe, Country Weekly, Mira!, Sun, National Examiner* and other publications. Our magazines comprise approximately 11% of total U.S. and Canadian newsstand circulation for audited (by ABC) weekly publications. For fiscal year 2010 total average newsstand and subscription circulation per issue for all of our publications that are currently published and have a frequency of six or more times per year was approximately 6.1 million copies.

Our circulation revenue represented approximately 60% of our total operating revenues in fiscal year 2010 and approximately 55% of our total operating revenue in fiscal years 2009 and 2008. Single copy sales accounted for approximately 81% of such circulation revenue in fiscal year 2010 and approximately 82% of such circulation revenue in fiscal years, 2009 and 2008, respectively. The remainder of circulation revenues was from subscription sales.

Our advertising revenues are generated by national advertisers, including packaged goods, sports nutrition products, automotive, entertainment, pharmaceutical, sports apparel, beauty and cosmetics, fashion and direct response. Advertising revenues accounted for approximately 33% of our total operating revenues in fiscal year 2010 and approximately 37% of our total operating revenue in fiscal years 2009 and 2008.

Our primary operating costs and expenses are comprised of production, distribution, circulation, editorial, other cost of sales, and selling, general and administrative expenses. The largest components of our costs are related to production, which includes printing and paper expenses, and circulation. Circulation costs primarily include the costs associated with subscription fulfillment, subscription postage and newsstand transportation. Editorial costs include salaries and costs associated with manuscripts and photographs.

During fiscal years 2010, 2009 and 2008, we recorded non-cash provisions for the impairment of intangible assets and goodwill of $17.6 million, $217.4 million and $31.1 million, respectively. For a detailed description of these impairment charges, see Note 2, "Goodwill and Other Identified Intangible Assets" in the Notes to Consolidated Financial Statements in Item 8 herein.

During the second quarter of fiscal year 2008, we discontinued the publication of *Weekly World News* and subsequently sold it in fiscal year 2009. The income (loss) from discontinued operations, including the gain on the sale of *Weekly World News*, was $0.5 million and $(0.7) million, net of taxes, for fiscal years 2009 and 2008, respectively. Operating results of this publication have been classified as discontinued operations for all periods presented. See Note 3, "Discontinued Operations," in the Notes to Consolidated Financial Statements included in Item 8 herein for further discussion.

We implemented initiatives relating to cost savings and revenue enhancements opportunities (the "2009 Management Action Plan") during the first fiscal quarter of fiscal year 2009, which resulted in approximately $25.7 million of cost savings and approximately $7.5 million of revenue enhancements during fiscal year 2009 as compared to our fiscal year 2009 budget. Cost savings primarily included cost reductions related to employee-related expenses and selling, general and administrative expenses, as well as production and subscription expenses. Revenue enhancements included certain cover price increases and the publishing of an additional issue of seven of our publications, as well as the publication of four special interest publications during fiscal year 2009.

We also implemented an additional management action plan (the "Supplemental Management Action Plan") during the fourth fiscal quarter of fiscal year 2009, which resulted in approximately $21.0 million and $2.6 million of cost savings in fiscal year 2010 and 2009, respectively. In connection with the Supplemental Management Action Plan, the Company

terminated approximately 113 employees, which resulted in a charge of approximately $2.1 million for termination benefits. Cost savings primarily included cost reductions related to employee-related expenses, production and subscription expenses.

During the fiscal year ended March 31, 2010, we implemented an additional management action plan (the "2010 Management Action Plan" and, together with the Supplemental Management Action Plan, the "Management Action Plans"), that resulted in additional cost savings of $11.5 million and revenue enhancements of $5.7 million as compared to our fiscal year 2010 budget. Cost savings included reductions in production, editorial, distribution and personnel-related costs. Revenue enhancements included cover price increases and the publishing of four special issues.

On January 30, 2009, we successfully completed our cash tender offers and receipt of requisite consents in the related consent solicitations in respect of our then outstanding senior subordinated notes, consisting of (1) $414.5 million aggregate principal amount of 2009 Notes and (2) $155.5 million aggregate principal amount of 2011 Notes. $400.5 million of the 2009 Notes and $148.0 million of the 2011 Notes were validly tendered and accepted for payment and consents were delivered with respect to the Prior Notes.

On December 31, 2008, we entered into the 2009 Credit Agreement, which replaced our then existing 2006 Credit Agreement. On January 30, 2009, concurrently with the consummation of our cash tender offers, the 2009 Credit Agreement became effective.

On January 30, 2009, we issued (i) $21.2 million aggregate principal amount of Senior PIK Notes and (ii) $299.7 million aggregate principal amount of Senior Subordinated Notes. Also on January 30, 2009, Media sold 5,688,891 shares of Common Stock (valued at approximately $1.0 million) for an aggregate purchase price of $126.0 million, pursuant to a purchase agreement dated January 29, 2009, among Media, the Company, the other parties named therein and J.P. Morgan Securities Inc. The cash proceeds from the Offering, together with our cash on hand, were used to purchase the tendered portion of the Prior Notes in the tender offers and to pay approximately $35.0 million of fees and expenses related to the Offering and the tender offers and consent solicitations. In addition, on January 30, 2009, Media issued 305,520 shares of Common Stock to the Prior Equityholders in exchange for the Common Stock they owned prior to the restructuring.

As a result of the restructuring of our capital structure and the issuance of Common Stock by Media to the Tendering Bondholders, the Tendering Bondholders acquired 94.9% of Media's Common Stock on January 30, 2009. Media's Prior Equityholders retained 5.1% of Media's Common Stock.

As a result of the restructuring of our capital structure and the completion of our cash tender offers, we recognized cancellation of indebtedness income and utilized a significant portion of our previously valued net operating loss carry-forwards. In addition, we reduced the tax basis of depreciable and amortizable assets. As a result of the Tendering Bondholders acquiring 94.9% of Media's Common Stock, we underwent an ownership change under Internal Revenue Code Section 382 ("Section 382"). Since the majority of our pre-acquisition net operating losses were reduced as a result of attribute reduction, only $19.4 million of net operating losses remain subject to the consolidated net operating loss Section 382 limitation.

We believe that the following factors have contributed to the leading market position of our publications:

Strong well-established brand names

Each of our publications has leading positions in their respective categories.

Our most popular magazine titles consist of *Star, Shape, Men's Fitness* and *Muscle & Fitness. Star* is a weekly celebrity news-based glossy magazine dedicated to covering the stars of movies, television and music. *Star's* editorial content also incorporates fashion, beauty and accessories. *Shape* is the leader in circulation and advertising revenues in the women's active lifestyle and health and fitness category. *Shape's* mission is to help women lead a healthier lifestyle by providing information on exercise techniques, nutrition, psychology and other inspirational topics, while also offering extensive beauty and fashion coverage. *Men's Fitness* is a leading monthly magazine for men 18-34 years old with active lifestyles. The magazine promotes a multi-training approach towards exercise and nutrition, while also offering information and advice in the areas of career, relationships, fashion and sports. *Muscle & Fitness* is the preeminent monthly fitness training magazine, appealing to exercise enthusiasts and athletes of all ages, especially those focused on resistance training, body fat control and sports nutrition.

Other popular magazines include *Flex*, *Fit Pregnancy*, *Natural Health*, *Muscle & Fitness Hers* and *Country Weekly*. *Flex*, which was spun off from *Muscle & Fitness* in 1983, is a monthly magazine devoted to professional bodybuilding. The magazine delivers nutrition and performance science information for bodybuilding enthusiasts. *Fit Pregnancy* was spun off

from *Shape* in 1995. *Fit Pregnancy's* editorial focus makes it a premier lifestyle magazine for *Shape* women during pregnancy as well as the first six months after childbirth and the two-year postpartum period. *Fit Pregnancy* delivers authoritative information on health, fashion, food and fitness. *Natural Health* is a leading wellness magazine published ten times during fiscal year 2010 and eight times beginning in fiscal year 2011, offering readers practical information to benefit from the latest scientific knowledge and advancements in the field of natural health, including advice to improve beauty and fitness. *Muscle & Fitness Hers* is designed for the active woman who demands more out of fitness and delivers a competitive edge for expert training, nutrition, health, beauty and fashion tips for today's woman. *Country Weekly* is an entertainment magazine presenting all aspects of country music celebrities and their lifestyles, events and personalities. *Country Weekly* was changed from a bi-weekly to a weekly publication effective with the March 30, 2009 issue, and subscriptions for *Country Weekly* were discontinued effective with the March 9, 2009 issue as we transitioned this publication from an advertising/rate-based publication to a newsstand-based publication.

Our tabloid-type publications consist of *National Enquirer, Globe, National Examiner, Sun* and *Mira!*. Our largest tabloid circulations, *National Enquirer* and *Globe*, which commenced publication in the early 1950's, have been two of the leading general interest tabloids for over 50 years. *National Enquirer* is a weekly general interest publication with an editorial content devoted to celebrities, investigative reporting, human interest stories and articles covering lifestyle topics such as crime, health, fashion and beauty. *Globe* is a weekly tabloid with features that are less time-sensitive and focuses on political scandals and investigative crime stories that are less mainstream and more hard-hitting than *National Enquirer*.

National Examiner's editorial content consists of celebrity and human-interest stories, differentiating it from the other titles through its upbeat positioning as the "gossip, contests, women's service and good news" tabloid. *Sun's* editorial content is skewed to an older target audience and focuses on religion, health, holistic remedies, predictions and prophecies. *Sun* also includes entertaining and unusual articles from around the world. *Mira!* is a Spanish language tabloid that features exclusive news and gossip about the hottest stars in the Latino market in movies, television and music, along with interviews and in-depth stories spotlighting them at work and at play. Effective with the January 19, 2009 issue, subscriptions for *Mira!* were discontinued as we transitioned this publication from an advertising/rate-based publication to a newsstand-based publication.

We believe that our brand names are among the most familiar magazine and tabloid-type titles to consumers and are synonymous with the celebrity and fitness genre. In our opinion, the long history and strong brand identity of our publications has allowed us to establish a large and loyal readership base.

Broad distribution base

Our publications are sold in all 50 states in the United States, as well as in Canada and, to a lesser extent, the United Kingdom, continental Europe, Latin America and Australia. Our distribution in the United States includes virtually all of the leading supermarkets, mass merchandisers, drug store chains and major convenience store chains as well as a broad base of regional and local newsstand outlets. In addition, DSI, our wholly owned subsidiary that works with retailers to design their front-end racks and position magazines for increased sales, provides a value-added service to the retailers and helps to further strengthen our retailer relationships and distribution. Our distribution base also allows us to efficiently launch new titles and expand the distribution of acquired titles.

Critical Accounting Policies and Estimates

Our discussion and analysis of financial condition and results of operations are based upon our Consolidated Financial Statements, which have been prepared in accordance with generally accepted accounting principles. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts in our Consolidated Financial Statements. We evaluate our estimates on an on-going basis, including those related to revenue, trade receivables and allowance for doubtful accounts, goodwill and other intangible assets, deferred rack costs, income taxes and contingent liabilities. We base our estimates on historical experience and on various other assumptions that we believe reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities. Actual results may differ from these estimates or our estimates may be affected by different assumptions or conditions. Critical accounting policies are those that are both most important to the portrayal of a company's financial position and results of operations, and require management's most difficult, subjective or complex judgments. The following accounting policies and estimates are those that management deems most critical. For a complete listing of our significant accounting policies, see Note 1, "Description of Business, Basis of Presentation and Summary of Significant Accounting Policies," in the Notes to Consolidated Financial Statements in Item 8 herein.

Revenue Recognition

Our revenues are primarily comprised of single copy, subscription and advertising. Single copy, subscription and advertising revenue and related expenses for our publications are recognized on the on-sale date.

Revenues from single copy sales are recognized net of expected sales returns, after considering such factors as sales history and available market information. All of our publications are sold with full return privileges. Our major U.S. and Canadian distributor provides us with weekly reporting on the actual returns by publication and by issue of each publication. We also receive sales data from certain retailers that sell our publications. We utilize these data sources as well as our long-term history of sales data by publication to estimate the actual anticipated sale of our publications and our experience has demonstrated that the actual sale of each issue of each magazine can be reasonably estimated based on this information. Our in-house circulation department has developed financial models which we utilize when projecting the anticipated sale of magazines. Revenues are presented net of amortization on the deferred rack costs, terminal and other short-term rack promotions and product placement costs ("retail display allowances and pockets") paid to the retailers and sales taxes.

Other revenues, primarily from marketing services performed for third parties by DSI, are recognized when the service is performed.

Trade Receivables and Allowance for Doubtful Accounts

Substantially all of our trade receivables are from single copy distributors, subscriptions and advertising customers. We maintain allowances for doubtful accounts for estimated losses resulting from our customers not making required payments. We make estimates of the collectibility of trade receivables. We critically review trade receivables and analyze historical bad debts, past-due accounts, customer credit-worthiness and current economic trends when evaluating the adequacy of the allowance for doubtful accounts.

Goodwill and Intangible Assets

Our reporting units and related indefinite-lived intangibles are tested annually during the fourth quarter of each fiscal year to determine whether their carrying value exceeds their fair value. Goodwill and other indefinite-lived intangible assets are also tested for impairment on an interim basis if an event occurs or circumstances change between annual tests that would indicate that impairment exists. Impairment losses, if any, are reflected in operating income or loss in the Consolidated Statements of Income (Loss). Our reporting units consist of each of our publications and other consolidated subsidiaries.

We review finite-lived intangible assets for impairment whenever an event occurs or circumstances change which indicates that the carrying amount of such assets may not be fully recoverable. Determination of recoverability is based on an estimate of undiscounted future cash flows resulting from the use of the asset and its eventual disposition. Measurement of an impairment loss is based on the fair value of the asset compared to its carrying value. Impairment losses, if any, are reflected in operating income or loss in the Consolidated Statements of Income (Loss).

In assessing goodwill and intangible assets for impairment, we make estimates of fair value which are based on our projection of revenues, operating costs, and cash flows of each reporting unit considering historical and anticipated future results, general economic and market conditions, as well as the impact of planned business or operational strategies. The valuations employ a combination of present value techniques to measure fair value and consider market factors. Changes in our judgments and projections could result in a significantly different estimate of the fair value of the reporting units and could result in an impairment of goodwill or other intangible assets.

During fiscal years 2010, 2009 and 2008, we recorded certain non-cash provisions for impairment of intangible assets and goodwill. See Note 2, "Goodwill and Other Identified Intangible Assets," in the Notes to Consolidated Financial Statements included in Item 8 herein for further discussion relating to these charges and the assumptions utilized.

Deferred Rack Costs

Rack costs are capitalized and amortized as a reduction in circulation revenue in accordance with the terms of the relevant agreements (typically 36 months). We perform periodic and timely reviews to determine if impairment charges are required due to market conditions including store closings or store bankruptcies.

Income Taxes

Income taxes are accounted for using the asset and liability method. Deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The asset and liability method of accounting for deferred income taxes requires a valuation against deferred tax assets, if based on the weight of available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. The effect on any changes in deferred tax assets and liabilities as a result of a change in tax rates is recognized in income.

Contingent Liabilities

We have certain contingent liabilities that arise in the ordinary course of our business activities. We accrue for contingent liabilities when it is probable that future expenditures will be made and such expenditures can be reasonably estimated. Reserves for contingent liabilities are reflected in our Consolidated Financial Statements based on management's assessment, along with legal counsel, of the expected outcome of the contingencies. If the final outcome of our contingencies differs from that currently expected, it would result in a change to earnings in the period determined.

RESULTS OF OPERATIONS

The following table presents our results of operations by segment for the periods indicated (in thousands):

Operating income (loss) is calculated before the provision for impairment of intangible assets and goodwill. The following table summarizes our results of operations by segment based on this calculation. Operating income (loss) before the provision for impairment of intangible assets and goodwill are not measures of financial performance in accordance with GAAP. You should not consider them as alternatives to net income (loss) as a measure of operating performance. Our calculations of operating income (loss) herein may be different from the calculations used by other companies and therefore comparability may be limited. We present operating income (loss) before the provision for impairment of intangible assets and goodwill to provide a consistent and comparable measure of our operating income (loss) for the periods indicated below due to the significant fluctuations in the impairment provision between such periods.

	Fiscal Year Ended		
	March 31, 2010	**March 31, 2009**	**March 31, 2008**
Operating Revenue			
Celebrity Publications	$ 102,172	$ 113,731	$ 127,667
Tabloid Publications	131,715	134,064	140,667
Women's Health and Fitness Publications	63,753	78,337	85,533
Distribution Services	29,215	32,931	32,956
Corporate/Other	93,762	111,129	112,649
Intersegment Eliminations	(8,187)	(8,543)	(8,698)
Total Operating Revenue	$ 412,430	$ 461,649	$ 490,774
Operating Income (Loss) before Provision for Impairment of Intangible Assets and Goodwill (1)			
Celebrity Publications	$ 26,843	$ 21,034	$ 32,217
Tabloid Publications	63,323	58,647	64,832
Women's Health and Fitness Publications	16,961	21,312	29,248
Distribution Services	5,949	6,831	8,666
Corporate/Other	(14,504)	(17,505)	(36,812)
Total Operating Income before Provision for Impairment of Intangible Assets and Goodwill	$ 98,572	$ 90,319	$ 98,151
Provision for impairment of intangible assets and goodwill	(17,595)	(217,350)	(31,097)
Operating Income (Loss)	$ 80,977	$ (127,031)	$ 67,054

(1) Operating income (loss) before provision for impairment of intangible assets and goodwill for fiscal year 2010 excludes impairment losses for tradenames, goodwill and other identified intangibles of $17.6 million for Women's Health and Fitness Publications. Operating income (loss) before provision for impairment of intangible assets and goodwill for fiscal year 2009 excludes impairment losses for tradenames, goodwill and other identified intangibles of $63.1 million for Celebrity Publications, $83.2 million for Tabloid Publications, $62.0 million for Women's Health and Fitness Publications and $9.0 million for Corporate/Other. Operating income (loss) before provision for impairment of intangible assets and goodwill for fiscal year 2008 excludes impairment losses for tradenames, goodwill and other identified intangibles of $11.5 million for Celebrity Publications and $19.6 million for Corporate/Other. See Note 2, "Goodwill and Other Identified Intangible Assets," in the Notes to Consolidated Financial Statements in Item 8 herein for further discussion.

Comparison of Fiscal Year Ended March 31, 2010 to Fiscal Year Ended March 31, 2009

Operating Revenue

Total operating revenue was $412.4 million and $461.6 million for the fiscal years ended March 31, 2010 and 2009, respectively, representing a decrease in revenue of $49.2 million, or 10.7%. This decrease was primarily due to reduced overall U.S. advertising spending, which caused reductions in advertising revenue in our Celebrity and Women’s Health &

Fitness Publications and Corporate/Other segments. Further, newsstand sales were also impacted by the current economic slowdown resulting in lower circulation revenues in our Tabloid and Celebrity Publications and Corporate/Other segments. Advertising and newsstand revenues in the Women's Health and Fitness Publications and Corporate/Other segments were also impacted by one less issue of *Shape*, *Muscle & Fitness* and *Flex* published during the fiscal year ended March 31, 2010 when compared to prior year.

As of March 31, 2010, single copy revenue consisted of newsstand units distributed by three primary wholesalers, which we estimate represented 81% of the newsstand magazine market, as well as several smaller wholesalers who represented the remaining 19%. Operating revenue generated by these wholesalers is included in the Celebrity Publications, Tabloid Publications, Women's Health and Fitness Publications and Corporate/Other segments. In fiscal years 2010 and 2009, two and three wholesalers each accounted for greater than 10% of our total operating revenue and in the aggregate accounted for approximately 45% and 36%, respectively of our total operating revenue. Our operating results could be materially affected by disruption of the distribution of our magazines through the wholesaler distribution channel. See Item 3, "Legal Proceedings," for a description of litigation filed by former wholesalers.

Operating Expense

Total operating expense, before the non-cash provision for impairment of intangible assets and goodwill, was $313.9 million and $371.3 million for the fiscal years ended March 31, 2010 and 2009, respectively, representing a decrease of $57.4 million, or 15.5%. This decrease is primarily due to the implementation of our Management Action Plans, coupled with one less issue of *Shape*, *Muscle & Fitness* and *Flex* which was not published in our fiscal year ended March 31, 2010. These initiatives resulted in reduced production, distribution, editorial, advertising sales expenses and personnel-related costs. This was coupled with a reduction in amortization expense as a result of an impairment of certain finite-lived intangible assets in the third quarter of fiscal year 2009.

In addition, we recorded provisions for impairment of intangible assets and goodwill of $17.6 million and $217.4 million for the fiscal years ended March 31, 2010 and 2009, respectively. These non-cash impairment charges resulted in operating expenses totaling $331.5 million and $588.7 million for the fiscal years ended March 31, 2010 and 2009, respectively.

Interest Expense

Interest expense was $50.6 million and $85.3 million for the fiscal years ended March 31, 2010 and 2009, respectively, representing a decrease of $34.7 million, or 40.7%. This decrease in interest expense is primarily attributable to our accounting for issuance of the New Notes. We recorded the principal amount of the New Notes and all future interest payments associated with the New Notes in the accompanying Consolidated Balance Sheet included in Item 8 herein. As a result, we do not recognize interest expense on the New Notes.

This decrease in interest expense was also due to lower average outstanding balances under our credit agreements. The lower average outstanding balances were due to principal payments on our $450.0 million term loan and on our $60.0 million revolving credit facility.

These items were partially offset by a higher effective weighted-average interest rate on the 2009 Credit Agreement for the fiscal year ended March 31, 2010 of 10.0% as compared to an effective weighted-average interest rate of 7.1% on the 2009 Credit Agreement and the 2006 Credit Agreement for the prior year period. See "Liquidity and Capital Resources – Credit Agreement and Subordinated Indebtedness" herein for further discussion.

Amortization of Deferred Debt Costs

Total amortization of deferred debt costs was $3.9 million and $9.8 million for the fiscal years ended March 31, 2010 and 2009, respectively. This decrease was due to lower costs being amortized during the fiscal year ended March 31, 2010 as a result of the write-off of the costs associated with the tendered portion of our Prior Notes as a result of the Restructuring.

Income Taxes

We recorded a $22.8 million income tax expense for the fiscal year ended March 31, 2010, compared to a $33.3 million income tax benefit for the fiscal year ended March 31, 2009.

The primary components of the income tax provision (benefit) for the fiscal year ended March 31, 2010 and 2009 were:

	2010	2009
Primarily related to book income (loss)	$ 22.1	$ (59.4)
Related to indefinite-lived intangible assets	23.0	(33.2)
Increase (decrease) in valuation allowance	(22.3)	59.3
Income tax expense (benefit)	$ 22.8	$ (33.3)

As of December 31, 2009, we recorded a change in estimated income taxes due to the filing of our federal income tax return for the fiscal year ended March 31, 2009 wherein we elected, under IRC Section 108(b)(5), to apply a portion of the debt discharge amount to first reduce the basis of depreciable and amortizable assets. The election resulted in additional tax expense of $24.8 million due to the reduction of basis on our indefinite lived intangible assets, which are deferred tax liabilities and could not be used as a future source of income to support the realization of our previously valued deferred tax assets.

The effective tax rate for the fiscal year ended March 31, 2010 was 85.9%, resulting in a provision for income taxes for the year. The effective tax rate for the fiscal year ended March 31, 2009 was 15.4%, resulting in a benefit for income taxes for the year. See Note 5, "Income Taxes," in the Notes to Consolidated Financial Statements in Item 8 herein for further discussion.

The operating income (loss) discussions below for each of our segments reflect amounts before provision for impairment of intangible assets and goodwill.

Celebrity Publications Segment

Operating Revenue

Total operating revenue in the Celebrity Publications segment was $102.2 million for the fiscal year ended March 31, 2010, representing a decrease of $11.6 million, or 10.2%, from the prior year comparable period. This reduction in revenue was primarily attributable to the following:

- a reduction in *Star* newsstand revenues due to lower consumer spending. Advertising revenues were down due to a 13% rate base reduction;
- *Country Weekly's* elimination of its subscription base and reduced rate base.

Operating Income (Loss)

Operating income in the Celebrity Publications segment increased in the fiscal year ended March 31, 2010 from prior year by $5.8 million, or 27.6%, to $26.8 million. The increase in operating income was primarily attributable the following:

- a $9.9 million combined reduction in *Star* production, distribution and editorial costs, primarily as a result of the 13% rate base reduction which reduced print orders and book size;
- a $4.6 million combined reduction in production, distribution and editorial costs for *Country Weekly* due to reduced print orders caused by our strategy to eliminate *Country Weekly's* subscription base;
- a $1.3 million decrease in rack amortization expense; and
- the implementation of our Management Action Plans, which resulted in lower personnel-related and production costs.

Tabloid Publications Segment

Operating Revenue

Total operating revenue in the Tabloid Publications segment was $131.7 million for the fiscal year ended March 31, 2010, representing a decrease of $2.3 million, or 1.8%, from prior year. This reduction in revenue was primarily attributable to the following:

- a $6.2 million decrease in *National Enquirer* newsstand revenue due to lower consumer spending, offset in part by U.S. cover price increases from $3.49 to $3.59 in May 2009, then to $3.69 in October 2009, coupled with favorable currency exchange rates; and
- a $1.0 million decrease in *National Enquirer* advertising revenues caused by a 16% rate base reduction and reduced overall U.S. advertising spending.

These decreases in revenue were partially offset by higher *National Examiner* newsstand revenues caused primarily by cover price increases from $3.29 to $3.39 in May 2009, then to $3.49 in September 2009; a $2.0 million combined decrease in *National Examiner*, *National Enquirer* and *Globe* rack amortization expense, and a $1.7 million increase in *National Enquirer* subscription revenues driven by higher renewal prices.

Operating Income (Loss)

Operating income in the Tabloid Publications segment increased in the fiscal year ended March 31, 2010 from prior year by $4.7 million, or 8.0%, to $63.3 million. This increase in operating income is primarily attributable to the implementation of our Management Action Plans, which resulted in reduced production, transportation and editorial expenses and personnel-related costs.

Women's Health and Fitness Publications Segment

Operating Revenue

Total operating revenue in the Women's Health and Fitness Publications segment was $63.8 million for the fiscal year ended March 31, 2010, representing a decrease of $14.6 million, or 18.6%, from prior year. This revenue reduction was primarily caused by the aforementioned weakness in overall U.S. advertising spending, which impacted *Shape* and *Fit Pregnancy* ($13.7 million). This was coupled with one less issue of *Shape* published during the fiscal year ended March 31, 2010 when compared to prior year.

Operating Income (Loss)

Operating income in the Women's Health and Fitness Publications segment decreased in the fiscal year ended March 31, 2010 from prior year by $4.4 million, or 20.4%, to $17.0 million. This reduction in operating income was primarily attributable to the operating revenue decline mentioned above, which was partially offset by lower editorial, production, distribution, advertising sale expenses and personnel-related costs. These cost reductions were a result of one less issue of *Shape* published during the fiscal year as compared to prior year, as well as the implementation of our Management Action Plans.

Distribution Services Segment

Operating Revenue

Total operating revenue in the Distribution Services segment was $21.5 million, net of eliminations, for the fiscal year ended March 31, 2010, representing a decrease of $3.4 million, or 13.8%, from prior year. This reduction in revenue was primarily attributable to lower newsstand sales for all DSI publishing clients.

Operating Income

Operating income in the Distribution Services segment decreased in the fiscal year ended March 31, 2010 from prior year by $0.9 million, or 12.9%, to $5.9 million caused by the reason discussed above.

Corporate/Other Segment

Operating Revenue

Total operating revenue in the Corporate/Other segment was $93.3 million for the fiscal year ended March 31, 2010, representing a decrease of $17.4 million, or 15.6%, from prior year. This reduction in revenue was primarily attributable to the following:

- a combined $17.1 million advertising revenues decrease for *Muscle & Fitness*, *Flex*, *Men's Fitness*, *Natural Health*, *Fit Pregnancy Mom & Baby* and *Mira!* caused primarily by: (i) the aforementioned market weakness in advertising spending, (ii) the impact of one less issue of *Muscle & Fitness* and *Flex* published during the fiscal year ended March 31, 2010 when compared to prior year, and (iii) a change in strategy to discontinue subscriptions for *Mira!* at the end of fiscal year 2009 and reduce its rate base, which impacted its advertising revenue; and
- a decrease in newsstand revenues for *Muscle & Fitness*, *Flex* and *MiniMags* primarily due to the aforementioned softness in newsstand sales, coupled with one less issue of *Muscle & Fitness* and *Flex* published during the fiscal year ended March 31, 2010 when compared to prior year.

These decreases in revenues were partially offset by newsstand and advertising revenues generated by one additional special publication in fiscal year 2010.

Operating Loss

Operating loss in the fiscal year ended March 31, 2010 decreased from the prior year period by $3.0 million, or 17.1%, to $14.5 million. This decrease in operating loss is primarily due to cost savings as a result of the implementation of our Management Action Plans. These items resulted in reduced production, transportation, editorial, advertising sales expenses and personnel-related costs. These decreases in operating loss were partially offset by the two additional special publications.

Comparison of Fiscal Year Ended March 31, 2009 to Fiscal Year Ended March 31, 2008

Operating Revenue

Total operating revenue was $461.6 million and $490.8 million for the fiscal years ended March 31, 2009 and 2008, respectively, representing a decrease in revenue of $29.1 million, or 5.9%. This decrease was primarily due to softness in newsstand sales caused by the current economic slowdown, which resulted in lower circulation revenues as a result of a reduced number of single copies sold in our Celebrity Publications, Tabloid Publications, Women's Health and Fitness Publications and Corporate/Other segments as well as rate base reductions for some of our publications. Newsstand sales were also impacted by temporary disruptions in the distribution of certain of our publications in the end of fiscal year 2009 and unfavorable currency exchange rates. Furthermore, the overall market weakness in advertising spending due to the current economic slowdown triggered decreases in advertising revenue in our Celebrity Publications, Tabloid Publications and Women's Health and Fitness Publications segments. These decreases were partially offset by an increase in advertising revenue in our Corporate/Other segment primarily as a result of the impact to operating revenue of having one additional issue of *Muscle & Fitness* and *Flex* during the fiscal year ended March 31, 2009 when compared to the prior fiscal year, coupled with an increase in advertising pages and an increase in subscription revenue in our Tabloid Publications segment.

As of March 31, 2009, single copy revenue consisted of copies distributed to newsstands primarily by three wholesalers, which we estimate represented 82% of the newsstand distribution market, as well as several smaller wholesalers who represented the remaining 18%. Operating revenue generated by these wholesalers is included in the Celebrity Publications, Tabloid Publications, Women's Health and Fitness Publications and Corporate/Other segments. In the fiscal years ended March 31, 2009 and 2008, three wholesalers each accounted for greater than 10% of our total operating revenue and in the aggregate accounted for 36% and 37%, respectively, of our total operating revenue. We have service agreements with these wholesalers, which provide incentives to maintain certain levels of service. Our operating results could be materially affected by disruption of the distribution of our magazines through the wholesalers. See Item 3, "Legal Proceedings," for a description of litigation filed by former wholesalers.

Operating Expense

Total operating expense, before the non-cash provision for impairment of intangible assets and goodwill, was $371.3 million and $392.6 million for the fiscal years ended March 31, 2009 and 2008, respectively, representing a decrease of $21.3

million, or 5.4%. This decrease in operating expense is primarily due to the implementation of our Management Action Plans, which resulted in decreases in editorial, production, distribution and selling, general and administrative expenses. The decrease in operating expenses was also due to a reduction in depreciation and amortization expense, primarily due to certain assets becoming fully depreciated and as a result of impairments of certain finite-lived intangibles assets. These decreases to operating expenses were partially offset by higher production costs due to increased paper costs coupled with additional issues of *Shape*, *Flex* and *Muscle & Fitness* during the fiscal year ended March 31, 2009.

In addition, we recorded provisions for impairment of intangible assets and goodwill of $217.4 million and $31.1 million for the fiscal years ended March 31, 2009 and 2008, respectively. These non-cash impairment charges resulted in operating expenses totaling $588.7 million and $423.7 million for the fiscal years ended March 31, 2009 and 2008, respectively.

Interest Expense

Interest expense was $85.3 million and $99.0 million for the fiscal years ended March 31, 2009 and 2008, respectively, representing a decrease of $13.8 million, or 13.9%. This decrease in interest expense was primarily attributable to our accounting for the New Notes. We recorded the principal amount of the New Notes plus all future interest payments associated with the New Notes in the accompanying Consolidated Balance Sheet in Item 8 herein. Accordingly, we will not recognize interest expense on the New Notes. This decrease in interest expense was also due to a lower weighted average interest rate on our $450.0 million term loan commitment under the 2009 Credit Agreement (the "Term Facility") and on our $60.0 million revolving credit facility under the 2009 Credit Agreement (the "Revolving Facility") of 7.1% for fiscal year 2009 as compared to 8.5% for fiscal year 2008 under our term facility and our revolving facility under the 2006 Credit Agreement, coupled with lower average outstanding balances on both our Term Facility and Revolving Facility during the fiscal year ended March 31, 2009 when compared to the prior year comparable period under our term facility and our revolving facility under the 2006 Credit Agreement as a result of principal payments on our Term Facility and Revolving Facility made during the fiscal year ended March 31, 2009. See Note 6, "Credit Agreement," and Note 7, "Senior Subordinated Indebtedness," in the Notes to Consolidated Financial Statements in Item 8 herein for details.

Amortization of Deferred Debt Costs

Total amortization of deferred debt costs was $9.8 million and $10.9 million, respectively, for the fiscal years 2009 and 2008, representing a decrease of $1.1 million, or 9.9%. This decrease in amortization of deferred debt costs was primarily related to lower costs being amortized during the end of fiscal year 2009 as a result of the write-off of the costs associated with the tendered portion of our Prior Notes.

Other Income, Net

Other income, net was $0.5 million and $2.5 million for the fiscal years ended March 31, 2009 and 2008, respectively, representing a decrease of $2.0 million, or 77.3%. Other income, net in fiscal years 2009 and 2008 was primarily related to interest income. The decrease in other income, net was mainly due to lower interest income, driven by lower interest rates.

Gain on Extinguishment of Debt

As part of the Restructuring, we recorded a gain on extinguishment of debt of $4.9 million in the fiscal year ended March 31, 2009. This gain is comprised of $548.5 million of tendered Prior Notes and $38.1 million of forfeited interest on our Prior Notes, less: (i) $320.9 million principal amount of New Notes, (ii) $232.2 million in future interest payments on the New Notes reflected in the carrying amount of our Senior Subordinated Notes in the accompanying Consolidated Balance Sheet in Item 8 herein, (iii) consent fees of $12.0 million, (iv) issuance costs of $10.1 million, (v) write-off of deferred costs related to the Prior Notes of $4.6 million, (vi) issuance of $1.0 million of Common Stock, and (vii) a write-off of discount associated with the Prior Notes of $0.9 million.

Discontinued Operations

In order to improve our profitability and future net cash flows, during the second quarter of fiscal year 2008, we discontinued the publication of *Weekly World News* and subsequently sold it in fiscal year 2009. The total income (loss) from discontinued operations, including the gain on the sale of *Weekly World News*, was $0.5 million and ($0.7) million for the fiscal years ended March 31, 2009 and 2008, respectively. Operating results of this publication have been classified as discontinued operations for all periods presented. This publication was previously included in the Corporate/Other segment. See Note 3, "Discontinued Operations," in the Notes to Consolidated Financial Statements included in Item 8 herein for further discussion.

Income Taxes

The income tax benefit was $33.3 million for fiscal year 2009 when compared to an income tax expense of $3.3 million for the fiscal year ended March 31, 2008. The income tax benefit for the fiscal year ended March 31, 2009 is comprised of a $59.4 million income tax benefit primarily related to our book loss plus $33.2 million income tax benefit related to indefinite-lived intangible assets, partially offset by the increase in valuation allowance of $59.3 million during the fiscal year ended March 31, 2009. The income tax expense for the fiscal year ended March 31, 2008 is comprised of a $19.6 million income tax benefit primarily related to our book loss and tax amortization of indefinite-lived intangible assets, less the increase in valuation allowance of $22.9 million during the fiscal year ended March 31, 2008. The effective tax rate for the fiscal year ended March 31, 2009 was 15.4%, resulting in a benefit for income taxes for the year. The effective tax rate for the fiscal year ended March 31, 2008 was 5.7% resulting in a provision for income taxes for the year.

Celebrity Publications Segment

Operating Revenue

Total operating revenue in the Celebrity Publications segment was $113.7 million for the fiscal year ended March 31, 2009, representing a decrease of $13.9 million, or 10.9%, from the prior year comparable period. This decrease in revenue was primarily attributable to decreases in *Star* and *Country Weekly* advertising revenue as a result of the aforementioned market weakness in advertising spending. This decrease was also due to lower *Star* and *Country Weekly* newsstand revenue attributable to the aforementioned softness in newsstand sales, a *Star* rate base reduction in January 2009 and unfavorable currency exchange rates, partially offset by a *Star* cover price increase from $3.49 to $3.99 at the end of fiscal year 2008.

Operating Income (Loss)

Operating income before the non-cash provision for impairment of intangible assets and goodwill in the Celebrity Publications segment decreased in the fiscal year ended March 31, 2009 from the prior year comparable period by $11.2 million, or 34.7%, to $21.0 million. The operating income decrease was attributable primarily to the above-mentioned operating revenue decrease, coupled with higher paper costs, partially offset by reduced advertising-related costs and the implementation of our Management Action Plans.

In addition, we recorded a provision for impairment of intangible assets and goodwill in the Celebrity Publications segment of $63.1 million and $11.5 million during the fiscal years ended March 31, 2009 and 2008, respectively. These non-cash impairment charges resulted in an operating loss in the Celebrity Publications segment of $42.0 million in fiscal year 2009 and operating income in the Celebrity Publications segment of $20.7 million in the fiscal year ended March 31, 2008.

Tabloid Publications Segment

Operating Revenue

Total operating revenue in the Tabloid Publications segment was $134.1 million for the fiscal year ended March 31, 2009, representing a decrease of $6.6 million, or 4.7%, from the prior year comparable period. This decrease in revenue was primarily attributable to the following:

- a $3.9 million decrease in *National Enquirer* newsstand revenues due to lower single copies sold and unfavorable currency exchange rates, partially offset by a U.S. cover price increase from $3.29 to $3.49 at the end of fiscal year 2008 and an additional issue of *National Enquirer* during fiscal year 2009 when compared to the prior fiscal year;
- a $1.5 million decrease in *Globe* newsstand revenues primarily due to lower single copies sold, partially offset by a U.S. cover price increase from $3.29 to $3.49 at the end of fiscal year 2008; and
- a $2.1 million decrease in *National Enquirer* advertising revenue due to a planned rate base reduction in January 2008, coupled with the aforementioned market weakness in advertising spending.

These decreases in revenue were partially offset by a $0.7 million increase in *National Examiner* newsstand revenues caused by a U.S. cover price increase from $2.49 to $2.99 in August 2008, and then to $3.29 in October 2008, and a $0.5 million increase in *National Enquirer* subscription revenue due to an increase in subscription pricing.

Operating Income (Loss)

Operating income before the non-cash provision for impairment of intangible assets and goodwill in the Tabloid Publications segment decreased in the fiscal year ended March 31, 2009 from the prior year comparable period by $6.2 million, or 9.5%,

to $58.6 million. This decrease in operating income is primarily attributable to the above-mentioned operating revenue decline, partially offset by the implementation of our Management Action Plans.

In addition, we recorded a provision for impairment of intangible assets and goodwill in the Tabloid Publications segment of $83.2 million during the fiscal year ended March 31, 2009. This non-cash impairment charge resulted in an operating loss in the Tabloid Publications segment of $24.6 million in the fiscal year ended March 31, 2009.

Women's Health and Fitness Publications Segment

Operating Revenue

Total operating revenue in the Women's Health and Fitness Publications segment was $78.3 million for the fiscal year ended March 31, 2009, representing a decrease of $7.2 million, or 8.4%, from the prior year comparable period. This decrease in revenue was primarily attributable to a $6.9 million decrease in *Shape* advertising revenue as a result of the aforementioned weakness in advertising spending.

Operating Income (Loss)

Operating income before the non-cash provision for impairment of intangible assets and goodwill in the Women's Health and Fitness Publications segment decreased in the fiscal year ended March 31, 2009 from the prior year comparable period by $7.9 million, or 27.1%, to $21.3 million. This decrease was primarily attributable to the above-mentioned operating revenue decrease.

In addition, we recorded a provision for impairment of intangible assets and goodwill in the Women's Health and Fitness Publications segment of $62.0 million during the fiscal year ended March 31, 2009. This non-cash impairment charge resulted in an operating loss in the Women's Health and Fitness Publications segment of $40.7 million in the fiscal year ended March 31, 2009.

Distribution Services Segment

Operating Revenue

Total operating revenue in the Distribution Services segment was $24.4 million, net of eliminations, for the fiscal year ended March 31, 2009, which was essentially flat to the prior year comparable period.

Operating Income

Operating income in the Distribution Services segment decreased in the fiscal year ended March 31, 2009 from the prior year comparable period by $1.8 million, or 21.2%, to $6.8 million. This decrease in operating income is primarily attributable to additional costs incurred with respect to the aforementioned temporary wholesaler disruption during the fourth quarter of fiscal year 2009.

Corporate/Other Segment

Operating Revenue

Total operating revenue in the Corporate/Other segment was $111.1 million for the fiscal year ended March 31, 2009, representing a decrease of $1.5 million, or 1.3%, from the prior year comparable period. This decrease is primarily attributable to the following:

- a $2.7 million charge to revenues representing our share of the bad debt related to the shutdown of the Anderson wholesaler business in January 2009;
- a combined $2.0 million decrease in *Muscle & Fitness* and *Flex* newsstand revenues primarily as a result of the aforementioned softness in newsstand sales coupled with unfavorable currency exchange rates impacting international sales;
- a $1.0 million and $0.6 million decrease in *Men's Fitness* and *Natural Health* advertising revenues, respectively, due to the aforementioned market weakness in advertising spending; and
- a $0.9 million and $0.4 million decrease in *Mira!* and *Sun* newsstand revenues, respectively, as a result of lower single copies sold as a result of the aforementioned softness in newsstand sales.

These decreases in revenues were partially offset by a combined $6.3 million increase in *Muscle & Fitness* and *Flex* advertising revenues due to an increase in advertising pages, including the publication of one additional issue of *Flex* and *Muscle & Fitness* during the fiscal year ended March 31, 2009 when compared to the prior fiscal year. These publications have been less impacted by the current economic downturn due to the nutritional supplement segment being less affected by the current economic environment.

Operating Loss

Operating loss before the non-cash provision for impairment of intangible assets and goodwill in the Corporate/Other segment decreased from the prior year comparable period by $19.3 million, or 52.4%, to $17.5 million. This decrease in operating loss is primarily due to across-the-board cost savings as a result of the implementation of our Management Action Plans.

In addition, we recorded a provision for impairment of intangible assets and goodwill in the Corporate/Other segment of $9.0 million and $19.6 million during the fiscal years ended March 31, 2009 and 2008, respectively. These non-cash impairment charges resulted in operating losses in the Corporate/Other segment of $26.5 million and $56.4 million in the fiscal years ended March 31, 2009 and 2008, respectively.

Liquidity and Capital Resources

Our primary sources of liquidity are cash generated from operations, cash on hand and amounts available to be borrowed under the 2009 Credit Agreement. For a description of the terms of the 2009 Credit Agreement, see Note 6, "Credit Agreement," in the Notes to Consolidated Financial Statements included in Item 8 herein.

As of March 31, 2010, we had cash and cash equivalents of $6.6 million, $21.0 million outstanding on the Revolving Facility under the 2009 Credit Agreement, and a working capital deficit of $47.8 million. The increase in working capital deficit from $41.7 million at March 31, 2009 to $47.8 million at March 31, 2010, primarily resulted from: (i) a $12.4 million decrease in cash and cash equivalents, (ii) a $9.9 million increase in the current portion of long-term debt due to $7.5 million of 2011 Notes reclassified to current and $32.0 million of future interest payments reclassified to current, offset in part by a $14.0 million payment on the 2009 Notes and a $15.5 million decrease in future interest payments on the Senior PIK Notes, and (iii) a $4.8 million decrease in inventories, and (iv) a $12.8 million decrease in net receivables primarily due to lower advertising revenues and timing of on-sale dates for certain publications. These items were partially offset by: (i) a $3.6 million decrease in accrued interest as a result of only the non-tendered portion of the Prior Notes being outstanding as of March 31, 2010 and the Company not accruing interest on the New Notes, (ii) a $11.7 million decrease in accounts payable due to timing of payments and reduction of the purchase of paper, **(**iii) a $13.2 million decrease in accrued expenses and other liabilities due to lower personnel-related costs, tax-related accruals, and retail display allowance, (iv) a $0.8 million decrease in deferred revenues, and (v) a $4.4 million increase in prepaid expenses and other current assets.

We currently believe that available funds and cash flows generated by operations will be sufficient to fund our working capital and capital expenditure requirements for at least the next 12 months. We believe that available cash at March 31, 2010 and amounts available under our Revolving Facility will mitigate future possible cash flow requirements. To the extent we make future acquisitions, we may require new sources of funding, including additional debt, equity financing or some combination thereof. There can be no assurances that we will be able to secure additional sources of funding or that such additional sources of funding will be available to us on acceptable terms.

At March 31, 2010, our outstanding indebtedness totaled $816.2 million, of which $453.9 million represented borrowings under the 2009 Credit Agreement, $7.5 million represented the remaining principal amount of Prior Notes, $22.7 million represented the principal amount of the Senior PIK Notes and $332.1 million represented the principal amount of Senior Subordinated Notes. The accompanying Consolidated Balance Sheet in Item 8 herein includes $198.4 million in future interest payments on the New Notes reflected in the carrying amount of our Senior Subordinated Indebtedness. See Item 1A, "Risk Factors," for risks associated with our indebtedness.

Cash Flow—Comparison of Fiscal Year Ended March 31, 2010 to Fiscal Year Ended March 31, 2009

Net cash provided by operating activities was $40.3 million for the fiscal year ended March 31, 2010, as compared to net cash provided by operating activities of $9.8 million for the fiscal year ended March 31, 2009. During the fiscal year ended March 31, 2010, net cash provided by operating activities was primarily attributable to: (i) $50.9 million of non-cash expenses (excluding amortization and write-off of deferred rack costs) primarily as a result of a $17.6 million provision for impairment of intangible assets and goodwill, $22.3 million increase in deferred income taxes, $3.9 million in amortization of

deferred costs and $6.6 million in depreciation and amortization expenses, (ii) a $11.2 million decrease in trade receivables due to lower advertising revenues and timing of on-sale dates for certain publications, and (iii) a $4.8 million decrease in inventories. These items were partially offset by: (i) $11.7 million decrease in accounts payable due to timing of payments and reduction of the purchase of paper, (ii) $9.1 million decrease in accrued expenses and other current liabilities due to lower personnel-related costs, tax-related accruals, and retail display allowance, and (iii) $3.6 million net decrease in accrued interest due to timing of payments, the fact that we are no longer accruing interest on the tendered portion of the Prior Notes and the interest related to the New Notes being reflected in the carrying amount of our Senior Subordinated Notes in our Consolidated Balance Sheet included in Item 8 herein.

Net cash provided by operating activities was $9.8 million for the fiscal year ended March 31, 2009, as compared to net cash provided by operating activities of $6.8 million for the fiscal year ended March 31, 2008. During the fiscal year ended March 31, 2009, net cash provided by operating activities was primarily attributable to: (i) $199.3 million of non-cash expenses (excluding amortization and write-off of deferred rack costs) primarily as a result of a $217.4 million provision for impairment of intangible assets and goodwill, $9.8 million in amortization of deferred costs and $9.6 million in depreciation and amortization expenses, offset in part by a $31.2 million decrease in deferred income taxes, a $4.9 million gain on extinguishment of debt and a $4.0 million decrease in management fee payable as a result of the Management Agreement being terminated (discussed below in the "Contractual Obligations" section), (ii) a $18.9 million net decrease in accrued interest due to timing of payments, the fact that we are no longer accruing interest on the tendered portion of the Prior Notes and the interest related to the New Notes being reflected in the carrying amount of our Senior Subordinated Notes in our Consolidated Balance Sheet included in Item 8, and (iii) a $10.3 million decrease in inventories as we purchased less paper. These items were partially offset by: (i) a $183.3 million net loss, (ii) a $15.1 million decrease in accounts payable due to timing of payments and reduction of purchase of paper, (iii) a decrease in accrued expenses and other liabilities of $10.7 million, (iv) an increase in trade receivables of $6.5 million, and (v) $3.9 million decrease in deferred revenues.

Net cash used in investing activities was $4.2 million for the fiscal year ended March 31, 2010, as compared to $2.7 million for fiscal year 2009. Net cash used in investing activities for the fiscal year ended March 31, 2010 was primarily attributable to $4.6 million for purchases of property and equipment and $0.3 million related to the investment in Mr. Olympia, LLC, partially offset by $0.6 million related to proceeds from the sale of assets. Net cash used in investing activities for the fiscal year ended March 31, 2009 was primarily attributable to $3.0 million for purchases of property and equipment and $0.3 million related to the investment in Mr. Olympia, LLC, partially offset by $0.5 million related to proceeds from the sale of discontinued operations.

Net cash used in financing activities was $49.2 million for the fiscal year ended March 31, 2010, as compared to $52.2 million for the fiscal year ended March 31, 2009. Net cash used in financing activities for the fiscal year ended March 31, 2010 primarily consisted of: (i) a $35.0 million payment towards the Revolving Facility, (ii) required quarterly principal payments on the Term Facility under the 2009 Credit Agreement totaling $4.5 million, (iii) a $14.0 million payment on the 2009 Notes and (iv) $6.0 million borrowed on our Revolving Facility. Net cash used in financing activities for the fiscal year ended March 31, 2009 primarily consisted of: (i) $22.5 million related to costs associated with the Offering, the tender offers and consent solicitations and the 2009 Credit Agreement, (ii) a $10.0 million payment towards the Revolving Facility, (iii) a fiscal year 2008 Excess Cash Flow payment of $8.1 million, (iv) $6.6 million in payment of consent fees, (v) required quarterly principal payments on the term facility under the 2006 Credit Agreement totaling $4.5 million, and (vi) net payments of $0.4 million associated with the Offering.

Cash Flow—Comparison of Fiscal Year Ended March 31, 2009 to Fiscal Year Ended March 31, 2008

Net cash provided by operating activities was $9.8 million for the fiscal year ended March 31, 2009, as compared to net cash provided by operating activities of $6.8 million for the fiscal year ended March 31, 2008. During the fiscal year ended March 31, 2009, net cash provided by operating activities was primarily attributable to: (i) $199.3 million of non-cash expenses (excluding amortization and write-off of deferred rack costs) primarily as a result of a $217.4 million provision for impairment of intangible assets and goodwill, $9.8 million in amortization of deferred costs and $9.6 million in depreciation and amortization expenses, offset in part by a $31.2 million decrease in deferred income taxes, a $4.9 million gain on extinguishment of debt and a $4.0 million decrease in management fee payable as a result of the Management Agreement being terminated (discussed below in the "Contractual Obligations" section), (ii) a $18.9 million net decrease in accrued interest due to timing of payments, the fact that we are no longer accruing interest on the tendered portion of the Prior Notes and the interest related to the New Notes being reflected in the carrying amount of our Senior Subordinated Notes in our Consolidated Balance Sheet included in Item 8 herein, and (iii) a $10.3 million decrease in inventories as we purchased less paper. These items were partially offset by: (i) a $183.3 million net loss, (ii) a $15.1 million decrease in accounts payable due to timing of payments and reduction of purchase of paper, (iii) a decrease in accrued expenses and other liabilities of $10.7 million, (iv) an increase in trade receivables of $6.5 million, and (v) $3.9 million decrease in deferred revenues.

During the fiscal year ended March 31, 2008, net cash provided by operating activities was primarily attributable to: (i) $76.8 million of non-cash expenses (excluding amortization and write-off of deferred rack costs) primarily as a result of the $31.1 million provision for impairment of intangible assets and goodwill and the $17.1 million charge related to the issuance of senior subordinated notes (discussed below in the "Credit Agreement and Subordinated Indebtedness" section), (ii) a net decrease in deferred rack costs of $4.1 million (resulting from our efforts to more effectively manage our deferred rack expenditures), and (iii) increases in accounts payable, management fee payable, and accrued expenses and other liabilities of $9.3 million, $2.0 million and $1.1 million, respectively. The increase in accounts payable was a result of our efforts to more effectively manage our liquidity. These items were partially offset by: (i) a $61.9 million net loss, (ii) an $11.5 million increase in trade receivables primarily as a result of the increase in advertising revenues in the fourth quarter of fiscal year 2008, (iii) a $5.1 million increase in inventories (resulting from our efforts to purchase paper at advantageous pricing levels), and (iv) a decrease in accrued interest of $7.5 million, which occurred because of the timing of interest payments related to the 2006 Credit Agreement.

Net cash used in investing activities was $2.7 million for the fiscal year ended March 31, 2009, as compared to $2.2 million for the fiscal year ended March 31, 2008. Net cash used in investing activities for the fiscal year ended March 31, 2009 was primarily attributable to $3.0 million for purchases of property and equipment and $0.3 million related to the investment in Mr. Olympia, LLC, partially offset by $0.5 million related to proceeds from the sale of discontinued operations. Net cash used in investing activities for the fiscal year ended March 31, 2008 was primarily attributable to $2.4 million for purchases of property and equipment and $0.3 million related to the investment in Mr. Olympia, LLC, partially offset by $0.4 million related to proceeds from the sale of fixed assets.

Net cash used in financing activities was $52.2 million for the fiscal year ended March 31, 2009, as compared to $0.9 million for the fiscal year ended March 31, 2008. Net cash used in financing activities for the fiscal year ended March 31, 2009 primarily consisted of: (i) $22.5 million related to costs associated with the Offering, the tender offers and consent solicitations and the 2009 Credit Agreement, (ii) a $10.0 million payment towards the Revolving Facility, (iii) a fiscal year 2008 Excess Cash Flow payment of $8.1 million, (iv) $6.6 million in payment of consent fees, (v) required quarterly principal payments on the term facility under the 2006 Credit Agreement totaling $4.5 million, and (vi) net payments of $0.4 million associated with the Offering. Net cash used in financing activities for the fiscal year ended March 31, 2008 consisted of payments of $0.9 million related to deferred debt costs.

Credit Agreement and Subordinated Indebtedness

On January 30, 2006, we entered into the 2006 Credit Agreement, which replaced our then existing credit agreement dated as of January 23, 2003. On December 31, 2008, we entered into the 2009 Credit Agreement, which replaced the 2006 Credit Agreement. The 2009 Credit Agreement became effective on January 30, 2009 (the "Effective Date"), concurrently with the consummation of our cash tender offers. The 2009 Credit Agreement includes the $60.0 million Revolving Facility and the $450.0 million Term Facility. The Revolving Facility matures in January 2012 and the Term Facility matures in January 2013.

During the fiscal year ended March 31, 2010, we made required quarterly principal payments aggregating $4.5 million on the 2009 Credit Agreement Term Facility. We paid down $35.0 million and borrowed $6.0 million on our Revolving Facility during the fiscal year ended March 31, 2010. The balance of the Term Facility and Revolving Facility under the 2009 Credit Agreement was $432.9 million and $21.0 million, respectively, on March 31, 2010. The Revolving Facility had $39.0 million available to be borrowed as of March 31, 2010. The 2009 Credit Agreement requires, and the 2006 Credit Agreement required, us to pay a commitment fee of 1% and 1/2%, respectively, of the unused portion of the revolving commitment. There were no commitment fee payments in fiscal year 2008, as our revolving commitment under the 2006 Credit Agreement was fully drawn during the entire fiscal year. Commitment fee payments under the 2006 Credit Agreement and 2009 Credit Agreement were insignificant during the fiscal year ended March 31, 2009 as the revolving commitments on the 2006 Credit Agreement and 2009 Credit Agreement were fully drawn during the entire fiscal year 2009 with the exception of a few days. There were $185,000 of commitment fee payments under the 2009 Credit Agreement in the fiscal year ended March 31, 2010.

The effective interest rate under the 2009 Credit Agreement, including amounts borrowed under the Term Facility and the Revolving Facility, as of March 31, 2010 and 2009, was 10.0%. The effective weighted-average interest rate under the 2006 Credit Agreement and the 2006 Credit Agreement for fiscal year 2008 was 8.5%. The effective weighted-average interest rate under the 2009 Credit Agreement and 2006 Credit Agreement for fiscal year 2010 and 2009 was 10% and 7.1%, respectively. The increase in the effective weighted-average interest rate between fiscal years 2010 and 2009 is due to the

Company being required to: (i) pay a margin of 6.5% on all loans based on the London interbank offering rate ("LIBOR") under the 2009 Credit Agreement as compared to a margin of 3.5% on all loans based on LIBOR ("LIBOR Loans") under the 2006 Credit Agreement, and (ii) being subject to a floor equal to 3.5% on all LIBOR Loans under the 2009 Credit Agreement. The effective weighted-average interest rate under the 2009 Credit Agreement and 2006 Credit Agreement for fiscal year 2009 was 7.1%. The effective weighted-average interest rate under the 2006 Credit Agreement for the fiscal year ended March 31, 2008 was 8.5%. The decrease in the effective weighted-average interest rate between fiscal years 2009 and 2008 is tied to the decrease in LIBOR.

On January 7, 2009, the Company and Media entered into a forbearance agreement with lenders representing a majority of outstanding amounts and commitments under the 2006 Credit Agreement and the administrative agent under the 2006 Credit Agreement, pursuant to which such lenders and the administrative agent agreed, subject to certain termination events, to forbear until the earliest of (i) February 4, 2009, (ii) the date on which any of the Prior Notes became or were declared to be due and payable and (iii) the commencement of an insolvency proceeding with respect to the Company, Media or any of their subsidiaries, from exercising any rights and remedies under the 2006 Credit Agreement as a result of the Company's failure (a) to pay the interest payment due on the 2009 Notes on November 1, 2008, (b) to comply with the reporting requirements in the 2006 Credit Agreement, (c) to comply with the corresponding reporting requirements in the indentures governing the Prior Notes and (d) to comply with the requirements of the indentures governing the Prior Notes in connection with its failure to meet a specified leverage ratio. The forbearance agreement ended on January 30, 2009 when we successfully completed our cash tender offers and consent solicitations with respect to the Prior Notes.

Under the 2009 Credit Agreement, we have the option to pay interest based on a floating base rate option equal to the greater of the JPMorgan Chase Bank, N.A. ("JPMorgan") prime rate or the federal funds effective rate plus 0.5% ("base rate loans") (subject to a floor equal to 4.50%) or based on LIBOR Loans, in each case plus a margin. The margin on all base rate loans is 5.5% and the margin on all LIBOR Loans is 6.5% (subject to a floor equal to 3.5%). We are required to repay $1.1 million of principal on our term loans on a quarterly basis. In addition, we are required to make Excess Cash Flow payments (as defined in the 2009 Credit Agreement), which will be applied to the then outstanding term loans. Excess Cash Flow payments are due no later than 90 days after the end of the fiscal year. We do not expect to be required to make a fiscal year 2010 Excess Cash Flow payment (as defined in the 2009 Credit Agreement). As of March 31, 2010, our borrowings under the Term Facility and Revolving Facility were based on the JPMorgan prime rate.

Under the 2006 Credit Agreement, we had the option to pay interest based on a floating base rate option equal to the greater of the JPMorgan prime rate or the federal funds effective rate plus 0.5% or based on LIBOR, in each case plus a margin. The margin on all base rate borrowings was 2.5% and the margin on all LIBOR borrowings was 3.5% if our corporate ratings were below Caa1 or CCC+. Otherwise, the margins under the term loan commitment were 2.25% for base rate borrowings and 3.25% for LIBOR borrowings, and the margins under the revolving commitment were based on our leverage ratio and ranged from 0.75% to 2.25% for base rate borrowings and 1.75% to 3.25% for LIBOR borrowings. We were required to repay $1.1 million of principal on our term loan commitment borrowings on a quarterly basis, commencing on June 30, 2008. In addition, we were required to make Excess Cash Flow payments (as defined in the 2006 Credit Agreement), which were applied to the then outstanding term loans.

The 2009 Credit Agreement includes certain representations and warranties, conditions precedent, affirmative covenants, negative covenants and events of default customary for agreements of this type. The negative covenants include financial maintenance covenants comprised of a leverage ratio, a senior secured leverage ratio, a consolidated interest expense coverage ratio, and capital expenditure limits. The 2009 Credit Agreement also contains certain covenants that, subject to certain exceptions, restrict paying dividends, incurring additional indebtedness, creating liens, making acquisitions or other investments, entering into certain mergers or consolidations and selling or otherwise disposing of assets. The 2009 Credit Agreement includes a broadening of the circumstances that would give rise to prepayment of the loans and the introduction of more restrictive covenants, particularly relating to indebtedness, investments, restricted payments and capital expenditures. As of March 31, 2010, we are in compliance with all financial covenants under the 2009 Credit Agreement.

Although there can be no assurances, we anticipate that, based on current projections (including projected borrowings and repayments under the Revolving Facility), our operating results for fiscal year 2011 will be sufficient to satisfy the financial covenants under the 2009 Credit Agreement. Our ability to satisfy such financial covenants is dependent on our business performing in accordance with our projections. If the performance of our business deviates from our projections, we may not be able to satisfy such financial covenants, including the senior secured leverage ratio. Our projections are subject to a number of factors, many of which are events beyond our control, which could cause our actual results to differ materially from our projections. If we do not comply with these or other covenants and restrictions contained in the 2009 Credit Agreement, we could default under the 2009 Credit Agreement. The outstanding debt under the 2009 Credit Agreement could then be declared immediately due and payable. Moreover, the instruments governing almost all of our other debt contain cross-acceleration provisions so that an acceleration under any of our debt may result in a default under our other

debt. If a cross-acceleration occurs, the maturity of our other debt could be accelerated and become immediately due and payable.

The indebtedness under the 2009 Credit Agreement is guaranteed by Media and our domestic subsidiaries and is secured by liens on substantially all of the assets of Media, the Company and its domestic subsidiaries. In addition, our obligations are secured by a pledge of all of the issued and outstanding shares of, or other equity interests in, the Company and all of its existing or subsequently acquired or organized domestic subsidiaries and a percentage of the capital stock of, or other equity interests in, certain of its existing or subsequently acquired or organized foreign subsidiaries.

Calculations of the leverage ratio, senior secured leverage ratio and consolidated interest expense coverage ratio in the 2009 Credit Agreement utilize Debt Covenant EBITDA. The following table summarizes Debt Covenant EBITDA for the three and twelve months ended March 31, 2010 and March 31, 2009. "Debt Covenant EBITDA" is defined as EBITDA further adjusted for gains or costs related to closures or re-launches of publications, restructuring costs and severance, professional fees, management fees and other one-time costs. Debt Covenant EBITDA is used in calculating covenant compliance under the 2009 Credit Agreement and was used in calculating covenant compliance under the Company's 2006 Credit Agreement. EBITDA and Debt Covenant EBITDA are not measures of financial performance in accordance with GAAP. You should not consider them as alternatives to net income (loss) as a measure of operating performance. Our calculations of EBITDA and Debt Covenant EBITDA may be different from the calculations used by other companies and therefore comparability may be limited. We present EBITDA to provide additional information regarding our performance and because it is a measure by which we gauge our profitability. In addition, information concerning Debt Covenant EBITDA is being presented because it reflects important components included in the financial covenants of the 2009 Credit Agreement and 2006 Credit Agreement.

	For the Three Months Ended March 31,		For the Twelve Months Ended March 31,	
	2010	2009	2010	2009
Net Income (Loss)	$ 19,531	$ 6,407	$ 3,218	$ (183,323)
Add (deduct):		-		
Interest expense	12,255	15,312	50,601	85,251
Provision (benefit) for income taxes	(2,298)	9,181	22,756	(33,339)
Depreciation and amortization	1,518	1,652	6,633	9,573
Amortization of deferred debt costs	930	1,494	3,893	9,849
Amortization of deferred rack costs	1,371	2,318	5,892	11,232
Amortization of short-term racks	1,002	931	4,009	3,539
Provision for impairment of intangible assets and goodwill	-	(474)	17,595	217,350
Gain on extinguishment of debt	-	(4,858)	-	(4,858)
Adjusted EBITDA	$ 34,309	$ 31,963	$ 114,597	$ 115,274
Add (deduct):				
Costs (gains) related to closures and re-launch of publications	-	-	-	(433)
Restructuring costs and severance (a)	-	1,833	-	3,581
Professional fees	-	-	-	450
Management fees	-	-	-	1,000
Other	-	1,250	(610)	1,875
Debt Covenant EBITDA	$ 34,309	$ 35,046	$ 113,987	$ 121,747

(a) The $3 million EBITDA add back pursuant to the 2009 Credit Agreement was fully used in fiscal year ended 2009; therefore, there was no add back for severance costs in fiscal year ended 2010.

Our fixed rate debt consists primarily of the New Notes.

On May 7, 1999, we issued $250.0 million in aggregate principal amount of the 2009 Notes. On February 14, 2002, we issued $150.0 million in aggregate principal amount of the 2009 Notes. On January 23, 2003, we issued $150.0 million aggregate principal amount of the 2011 Notes.

The Prior Notes were unconditionally guaranteed, on a senior subordinated basis, by all of our domestic subsidiaries. Prior Note guarantees were joint and several, full and unconditional and general unsecured obligations of the Prior Note guarantors. The Prior Note guarantees were subordinated in right of payment to all existing and future senior debt of the Prior

Note guarantors, including the 2006 Credit Agreement, and were also effectively subordinated to all secured obligations of Note guarantors to the extent of the assets securing such obligations, including the 2006 Credit Agreement. Furthermore, the indentures governing the Prior Notes permitted the Prior Note guarantors to incur additional indebtedness, including senior debt, subject to certain limitations. See Note 18, "Supplemental Condensed Consolidating Financial Information" in the Notes to Consolidated Financial Statements in Item 8 herein.

Under the indentures governing the 2011 Notes, after January 15, 2010, the 2011 Notes are redeemable at par, plus accrued and unpaid interest.

The indentures governing the Prior Notes contained a number of covenants that, among other things, limited our ability and that of our restricted subsidiaries, subject to important exceptions and qualifications, to: borrow money; guarantee other indebtedness; use assets as security in other transactions; pay dividends on stock, redeem stock or redeem subordinated debt; make investments; enter into agreements that restrict the payment of dividends by subsidiaries; sell assets; enter into affiliate transactions; sell capital stock of subsidiaries; enter into new lines of business; and merge or consolidate. In addition, these indentures imposed certain requirements as to future subsidiary guarantors and contained certain customary events of default.

We failed to make the required semi-annual interest payment with respect to the 2009 Notes when due on November 1, 2008. Such failure resulted in an event of default pursuant to the terms of the indenture governing the 2009 Notes. We also failed to make the required semi-annual interest payment with respect to the 2011 Notes when due on January 15, 2009. In addition, we failed to file our quarterly report on Form 10-Q for the period ended September 30, 2008 when due on November 14, 2008. We also failed to comply with the requirements of indentures governing the Prior Notes relating to our failure to meet a specified leverage ratio as of September 30, 2008. As a result, we entered into forbearance agreements with existing holders of approximately 81% of the then outstanding aggregate principal amount of 2009 Notes and approximately 69% of the then outstanding aggregate principal amount of 2011 Notes, pursuant to which such holders agreed to forbear from exercising any remedies under the indentures governing the Prior Notes as a result of our aforementioned failures until we successfully completed our cash tender offers and consent solicitations with respect to the Prior Notes.

On January 29, 2009, we executed the following supplemental indentures which eliminated substantially all of the restrictive covenants, certain events of default and other related provisions in the indentures governing the Prior Notes: (i) the Ninth Supplemental Indenture among us, the Guarantors named therein and HSBC Bank USA, National Association, as trustee, with respect to the 2009 Notes, and (ii) the Seventh Supplemental Indenture among us, the Guarantors named therein and HSBC Bank USA, National Association, as trustee, with respect to the 2011 Notes.

On January 30, 2009, we issued: (i) $21.2 million aggregate principal amount of Senior PIK Notes and (ii) $299.7 million aggregate principal amount of Senior Subordinated Notes. Also on January 30, 2009, Media sold 5,688,891 shares of Common Stock (valued at approximately $1.0 million) for an aggregate purchase price of $126.0 million, pursuant to a purchase agreement dated January 29, 2009, among Media, us, the other parties named therein and J.P. Morgan Securities Inc. In addition, on January 30, 2009, Media issued 305,520 shares of Common Stock to the Prior Equityholders in exchange for the Common Stock they owned prior to the restructuring.

On January 30, 2009, $400.5 million of the 2009 Notes and $148.0 million of the 2011 Notes were validly tendered and accepted for payment and consents were delivered with respect to the Prior Notes. The cash proceeds received from the Offering, together with our cash on hand, were used to purchase the tendered portion of the Prior Notes in the tender offers and to pay approximately $35.0 million of fees and expenses related to the Offering and the tender offers and consent solicitations.

The Senior PIK Notes are unsecured senior obligations of the Company and are effectively subordinated to all of our existing and future secured debt, including obligations under our 2009 Credit Agreement. The Senior PIK Notes will mature on May 1, 2013. Interest on the Senior PIK Notes will accrue at the rate of 9% per annum based upon the outstanding principal amount. The 2009 Credit Agreement prohibits the payment of cash interest on the Senior PIK Notes.

The Senior Subordinated Notes are unsecured senior subordinated obligations of the Company and are subordinated in right of payment to our existing and future senior debt, including obligations under the 2009 Credit Agreement and the Senior PIK Notes. The Senior Subordinated Notes will mature on November 1, 2013. Interest on the Senior Subordinated Notes will accrue at the rate of 14% per annum based upon the outstanding principal amount of the Senior Subordinated Notes (with (i) 10% per annum payable in cash, (ii) 2% per annum payable, at our option, either in cash or by the issuance of additional Senior Subordinated Notes, and (iii) 2% per annum payable (x) in cash when our Excess Cash Flow for the most recently completed fiscal year ended prior to an interest payment date is greater than $27.5 million and (y) at our option, either in cash or by the issuance of additional Senior Subordinated Notes when our Excess Cash Flow for the most recently completed fiscal year ended prior to an interest payment date is less than or equal to $27.5 million).

The New Notes are unconditionally guaranteed, on a senior subordinated basis, by all of our domestic subsidiaries. The New Notes guarantees are joint and several, full and unconditional and general unsecured obligations of the New Notes guarantors. The New Notes guarantees are subordinated in right of payment to all existing and future senior debt of the New Notes guarantors, including the 2009 Credit Agreement, and are also effectively subordinated to all secured obligations of New Notes guarantors to the extent of the assets securing such obligations, including the 2009 Credit Agreement. Furthermore, the indentures governing the New Notes permit the New Notes guarantors to incur additional indebtedness, including senior debt, subject to certain limitations. See Note 18, "Supplemental Condensed Consolidating Financial Information."

As of the date hereof, the 2009 Credit Agreement does not permit the payment of cash interest on the Senior Subordinated Notes (i) at a rate in excess of 10% per annum when our Excess Cash Flow for the most recently completed fiscal year ended prior to an interest payment date is less than or equal to $27.5 million and (ii) at a rate in excess of 12% per annum when our Excess Cash Flow for the most recently completed fiscal year ended prior to an interest payment date is greater than $27.5 million.

We pay interest on the New Notes semi-annually in arrears on May 1 and November 1 of each year, commencing on May 1, 2009. To date, interest with respect to (a) the Senior PIK Notes has been paid entirely by the issuance of additional Senior PIK Notes and (b) the Senior Subordinated Notes has been paid at the rate of 14% per annum in the form of additional Senior Subordinated Notes of $10.6 million on May 1, 2009 and $21.7 million on November 1, 2009.

Pursuant to the Indentures, beneficial owners of the New Notes, who together beneficially owned more than 75% in aggregate principal amount of the outstanding New Notes, consented on behalf of all holders of the New Notes that the $16.6 million interest payment due May 1, 2010 be deferred until June 15, 2010.

Under the Senior PIK Notes Indenture and the Senior Subordinated Notes Indenture, we are permitted to redeem some or all of the New Notes, at our option, at redemption prices set forth below.

Year	Percentage
November 1, 2009 to October 31, 2010	102.00%
November 1, 2010 to October 31, 2011	101.00%
November 1, 2011 and thereafter	100.00%

The Indentures contain a number of covenants that, among other things, limit our ability and that of our restricted subsidiaries, subject to important exceptions and qualifications, to: borrow money; guarantee other indebtedness; use assets as security in other transactions; pay dividends on stock, redeem stock or redeem subordinated debt; make investments; enter into agreements that restrict the payment of dividends by subsidiaries; sell assets; enter into affiliate transactions; sell capital stock of subsidiaries; enter into new lines of business; and merge or consolidate. In addition, the Indentures impose certain requirements as to future subsidiary guarantors and contain certain customary events of default.

As of March 31, 2010, our total principal amount of senior subordinated debt was approximately $362.3 million, consisting of $7.5 million principal amount of 2011 Notes, $22.7 million principal amount of Senior PIK Notes and $332.1 million principal amount of Senior Subordinated Notes. The accompanying Consolidated Balance Sheet in Item 8 herein includes $198.4 million in future interest payments on the New Notes reflected in the carrying amount of our Senior Subordinated Notes.

On May 1, 2009, we retired $14.0 million aggregate principal amount of the 2009 Notes then outstanding with cash on hand.

As part of the Restructuring, we recorded a gain on extinguishment of debt of $4.9 million in fiscal year 2009. This gain is comprised of $548.5 million of tendered Prior Notes and $38.1 million of forfeited interest on our Prior Notes, less $320.9 million principal amount of New Notes, $232.2 million in future interest payments on the New Notes reflected in the carrying amount of our Senior Subordinated Notes in the accompanying Consolidated Balance Sheet in Item 8 herein, consent fees of $12.0 million, issuance costs of $10.1 million, write-off of deferred costs related to the Prior Notes of $4.6 million, issuance of $1.0 million of Common Stock and a write-off of discount associated with the Prior Notes of $0.9 million.

At March 31, 2010 and 2009, our short- and long-term debt was rated by the two major credit-rating agencies as listed below. The ratings, when available, reflect the respective views of the rating agencies, from which an explanation of the significance of their ratings may be obtained. There is no assurance that these ratings will continue for any given period of time. The

ratings may be revised or withdrawn entirely by the rating agencies, if, in their respective judgments, circumstances so warrant.

Credit Rating Agency	Year	Prior Notes	New Notes
Moody's	2009	Caa3	*
	2010	-	*
Standard & Poor's	2009	*	CCC-
	2010	-	CC

* Represents debt instruments not rated by the respective credit agency.

Contractual Obligations

In April 2003, Media, THL Managers V, LLC, an affiliate of Thomas H. Lee Partners L.P. ("T.H. Lee"), and Evercore Advisors L.P., an affiliate of Evercore Partners LLP ("Evercore"), entered into a management agreement (the "Management Agreement") pursuant to which THL Managers V, LLC and Evercore Advisors L.P. provided certain management and advisory services to Media and its subsidiaries for an annual fee of $1.0 million each. Management fees of $1.0 million were paid to each of Evercore and T.H. Lee in fiscal year 2006. Pursuant to certain of the supplemental indentures we entered into in fiscal year 2007, such fees for fiscal years 2007, 2008 and 2009 were accrued and payments for such fees were not made beginning in fiscal year 2007 or thereafter. As required by the 2009 Credit Agreement, the Management Agreement was terminated as of January 30, 2009 and unpaid management fees totaling $6.0 million were waived.

The impact that our aggregate contractual obligations as of March 31, 2010 are expected to have on our liquidity and cash flow in future periods is as follows (in thousands):

	Payments Due by Period				
	Total	Less Than 1 Year	1-3 Years	4-5 Years	More Than 5 Years
Long-term debt obligations, principal (1)	$ 1,014,494	$ 43,972	$ 517,238	$ 453,284	$ -
Long-term debt obligations, interest (2)	$ 134,824	$ 48,877	$ 84,651	$ 1,296	$ -
Operating lease obligations	$ 8,397	$ 4,948	$ 3,067	$ 164	$ 218
Printing agreement obligations (3)	$ 377,023	$ 57,642	$ 106,024	$ 91,804	$ 121,553
Pre-press obligations (4)	$ 26,074	$ 4,911	$ 8,137	$ 5,275	$ 7,751
Trademark license agreement (5)	$ 1,400	$ 200	$ 400	$ 400	$ 400
Mr. Olympia, LLC agreement (6)	$ 4,200	$ 300	$ 600	$ 600	$ 2,700
Transportation Agreement (7)	$ 55,799	$ 6,548	$ 13,648	$ 14,418	$ 21,185
Other agreements (8)	$ 7,843	$ 4,010	$ 3,833	$ -	$ -
Subscription agreement (9)	$ 34,635	$ 7,615	$ 14,711	$ 12,309	$ -
Total contractual obligations (10)	$ 1,664,689	$ 179,023	$ 752,309	$ 579,550	$ 153,807

(1) Includes principal payments on both fixed and variable rate obligations and $198.4 million in future interest payments on the New Notes reflected in the carrying amount of our Senior Subordinated Notes. Amount does not include the premium or discount on the Prior Notes.

(2) Includes interest payments on both fixed and variable rate obligations and a commitment fee of 1% on the unused portion of our Revolving Facility. The interest payments associated with our variable rate obligations (for amounts borrowed under the 2009 Credit Agreement) are based upon interest rates forecasted for fiscal year 2010. The interest to be paid on variable rate obligations is affected by changes in our capital applicable borrowing rate subject to a 10% floor, which materially affect the contractual obligation amounts to be paid. See Note 6, "Credit Agreement," and Note 7, "Senior Subordinated Indebtedness" in the Notes to Consolidated Financial Statements in Item 8 herein.

(3) We have a printing agreement expiring in our fiscal year 2018 with an unrelated printer to print *National Enquirer, Globe, Shape, Men's Fitness, Fit Pregnancy, Muscle & Fitness, Muscle & Fitness Hers, Flex, Natural Health, National Examiner, Sun, Mira!* and *Country Weekly*. We have printing agreements to print *Star* with unrelated printers expiring in our fiscal year 2012 and fiscal year 2015, respectively. We also have a printing agreement with an unrelated printer to print certain of our European publications expiring in fiscal year 2011. These contracts, with the exception of the contract with the printer for certain of our European publications, require pricing adjustments based on the Consumer Price Index. Based on current pricing and production levels, these contracts are estimated to cost approximately $377.0 million over their remaining life.

(4) We have a pre-press agreement expiring in our fiscal year 2018 with an unrelated company to perform pre-press services for *Shape, Men's Fitness, Fit Pregnancy, Muscle & Fitness, Muscle & Fitness Hers, Flex* and *Natural Health*. All other titles are under a pre-press agreement with a related company expiring in our fiscal year 2013. Based on current pricing and production levels, these contracts, one of which requires pricing

adjustments based on changes in the Consumer Price Index, are estimated to cost approximately $26.1 million over their remaining life. See Note 9, "Related Party Transactions," in the Notes to Consolidated Financial Statements included in Item 8 herein for a discussion of our pre-press relationship with Vertis.

(5) As part of the acquisition of Weider Publications LLC in January 2003, we entered into a trademark license agreement with Weider Health and Fitness which grants us the exclusive right to use the Weider trademarks on the cover and in the editorial content of existing Weider titles of the acquired business and in any future healthy living or fitness-related publications in any media. We were also given the non-exclusive right to use the trade name Joe Weider on products and services other than publications. We pay Weider Health and Fitness $0.2 million per year pursuant to the trademark license agreement and we have assumed that such payments will continue through 2017. We also have the right to use the Weider, Team Weider and Joe Weider trademarks in most other countries in the world.

(6) In April 2005, we entered into a limited liability company agreement (the "Olympia Agreement") to form a joint venture ("Mr. Olympia, LLC") to manage and promote the Mr. Olympia fitness events. At any time prior to the tenth anniversary of the execution date of the Olympia Agreement the other limited liability company member may require us to purchase all of the limited liability company units ("Put Option") for a cash purchase price of $3.0 million. In the event that the other limited liability company member does not exercise the Put Option, for a period of 120 days following the tenth anniversary of the date of execution of the Olympia Agreement, we may require the other limited liability company member to sell all of its limited liability company units ("Call Option") for a sale price of $3.0 million. In April 2005, the other limited liability company member licensed certain trademarks related to the Mr. Olympia fitness events (collectively, the "Olympia Trademarks") to Mr. Olympia, LLC in exchange for us paying $3.0 million over a ten year period. In the event that the Put Option or Call Option is exercised, the Olympia Trademarks will be transferred and owned by Mr. Olympia, LLC. Any remaining balance of the $3.0 million license fee will become due and payable upon such exercise. In the event that the Put Option or Call Option is not exercised, Mr. Olympia, LLC retains the right to the Olympia Trademarks in perpetuity once the $3.0 million license fee is paid. We have assumed that such Call Option will be exercised in 2015. See Note 10, "Mr. Olympia, LLC," in the Notes to Consolidated Financial Statements included in Item 8 herein for a discussion of the Olympia Agreement.

(7) We have a transportation agreement expiring in fiscal 2018 with an unrelated company to deliver some of our publications to wholesalers within the continental United States and Canada.

(8) We have a consulting agreement expiring in fiscal year 2012 with an unrelated company to assist us with the marketing of our brands. We also have a consumer marketing agreement expiring in fiscal year 2011 with an unrelated company for the printing of consumer marketing materials.

(9) We have a subscription agreement expiring in fiscal year 2015 with an unrelated company for subscription fulfillment services.

(10) The timing of future cash flows related to tax liabilities of $1.2 million cannot be reasonably estimated. See Note 5, "Income Taxes," in the Notes to Consolidated Financial Statements in Item 8 herein.

New Accounting Pronouncements

In September 2006, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 157, "*Fair Value Measurements*" ("SFAS No. 157"), which enhances existing guidance for measuring assets and liabilities at fair value. SFAS No. 157 defines fair value, establishes a framework for measuring fair value and expands disclosure about fair value measurements. The provisions of SFAS No. 157 were effective on April 1, 2008. The adoption of this statement did not have a material impact on our results of operations, financial position, cash flows or disclosures. In February 2008, the FASB issued FASB Staff Position No. 157-2, which delays the effective date of SFAS No. 157 for non-financial assets and liabilities to fiscal years beginning after November 15, 2008. SFAS 157 and FASB Staff Position No. 157-2 were codified under the Fair Value Measurements and Disclosures Topic of the FASB Accounting Standards Codification ("ASC") (the Fair Value Measurements and Disclosures Topic). The adoption of this standard did not have a significant impact on our results of operation, financial position, cash flows and disclosures.

In June 2009, the FASB issued new authoritative guidance under ASC Topic 810, "*Consolidation*", previously FASB Interpretation No. 46-R ("ASC 810"), "*Consolidation of Variable Interest Entities — An Interpretation of ARB No. 51.*" This new guidance under ASC 810 amends certain requirements of FASB Interpretation No. 46 (revised December 2003), "*Consolidation of Variable Interest Entities*", to improve financial reporting by enterprises involved with variable interest entities and to provide more relevant and reliable information to users of financial statements. The provisions of this new guidance are effective as of the beginning of each reporting entity's first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period, and for interim and annual reporting periods thereafter. Earlier application is prohibited. We are currently assessing the impact of the adoption of this new guidance on our results of operations, financial position, cash flows and disclosures.

In August 2009, the FASB issued Accounting Standards Update ("ASU") No. 2009–05, "*Measuring Liabilities at Fair Value*" ("ASU 2009–05"). ASU 2009–05 amends ASC Topic 820, "*Fair Value Measurements and Disclosures*" ("ASC 820"), previously SFAS No. 157, "*Fair Value Measurements*", by providing clarification that in circumstances in which a quoted price in an active market for the identical liability is not available, a reporting entity is required to measure fair value using one or more of the following methods: (i) a valuation technique that uses the quoted price of the identical liability when traded as an asset or quoted prices for similar liabilities, or similar liabilities when traded as assets, or (ii) a valuation technique that is consistent with the principles of ASC 820 (i.e., income approach or market approach). ASU 2009–05 also clarifies that when estimating the fair value of a liability, a reporting entity is not required to include inputs relating to the existence of transfer restrictions on that liability. The provisions of this new guidance are effective for the first reporting

period after issuance. The adoption of this standard did not have any impact on our results of operation, financial position, cash flows and disclosures.

In October 2009, the FASB issued ASU No. 2009–13, "*Multiple–Deliverable Revenue Arrangements*" ("ASU 2009–13"). ASU 2009–13 amends existing revenue recognition accounting pronouncements that are currently within the scope of FASB ASC Subtopic 605-25. The consensus to Emerging Issues Task Force Issue No. 08–1, "*Revenue Arrangements with Multiple Deliverables*", provides accounting principles and application guidance on whether multiple deliverables exist, how the arrangement should be separated, and the consideration allocated. This guidance eliminates the requirement to establish the fair value of undelivered products and services and also eliminates the residual method of allocating arrangement consideration. The new guidance provides for separate revenue recognition based upon management's estimate of the selling price for an undelivered item when there is no other means to determine the fair value of that undelivered item. Under the previous guidance, if the fair value of all of the elements in the arrangement was not determinable, then revenue was deferred until all of the items were delivered or fair value was determined. This new approach is effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010. We are currently assessing the impact of the adoption of this new guidance on our results of operations, financial position, cash flows and disclosures.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

We are exposed to certain market risks that are inherent in our financial statements. We are subject to interest rate risk on our credit facilities and any future financing requirements. Our fixed rate debt consists primarily of the New Notes.

Our primary market risk exposures relate to (1) the interest rate risk on long-term borrowings, (2) the impact of interest rate movements on our ability to meet interest expense requirements and comply with financial covenants, (3) the impact of interest rate movements on our ability to obtain adequate financing to fund acquisitions, (4) the impact of paper or postage cost increases and (5) the impact of changes in distribution and placement costs. We manage the interest rate risk on our outstanding long-term debt through our use of fixed and variable rate debt.

Interest rate changes affect our income before taxes and cash provided from operating activities. A 1% change in our weighted average interest rate on our variable debt would have resulted in a change of $4.5 million in our interest expense for the fiscal year ended March 31, 2010.

Exchange Rate Sensitivity

We face exposures to adverse movements in foreign currency exchange rates, as a portion of our revenues, expenses, assets and liabilities are denominated in currencies other than the U.S. dollar, primarily the Canadian dollar, the British pound, and the Euro. These exposures may change over time as business practices evolve. Currently, we do not hold any derivatives contracts that hedge our foreign currency risk, but we may adopt such strategies in the future.

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

None.

Item 9A(T). ***Controls and Procedures***

Item omitted as permitted pursuant to the terms of Section 4.03 of each of the Indentures.

Item 9B. ***Other Information***

None.

PART III

Item 10. ***Directors, Executive Officers and Corporate Governance***

Information required by Item 405 (Compliance with Section 16(a) of the Exchange Act), Item 406 (Code of Ethics) and Item 407 (Corporate Governance) of Regulation S-K promulgated by the SEC was omitted from Item 10 herein as permitted pursuant to the terms of Section 4.03 of each of the Indentures.

The following table sets forth the directors and executive officers of Media and the Company as of May 31, 2010. All officers serve at the pleasure of the applicable Board of Directors.

Name	Age	Position(s)	Director or Officer Since
David J. Pecker	58	Chairman, Chief Executive Officer, President and Director	May 1999
Philip L. Maslowe	63	Director	January 2009
Marc Nuccitelli	43	Director	January 2009
Charles C. Koones	47	Director	January 2009
James N. Chapman	48	Director	March 2009
Cathryn C. Cranston	54	Director	March 2009
Lawrence S. Kramer	60	Director	March 2009
Christopher Polimeni	44	Executive Vice President, Chief Financial Officer and Treasurer	January 2009
Kevin Hyson	60	Executive Vice President and Chief Marketing Officer*	May 1999
David Leckey	57	Executive Vice President, Consumer Marketing*	February 2006
John Swider	50	Executive Vice President, Operations*	May 2006
Jeffrey Laymon	51	Senior Vice President, Controller and Chief Accounting Officer	March 2010

* These persons are executive officers of the Company only.

David J. Pecker became Chairman, Chief Executive Officer, President and a Director on May 7, 1999. Prior to that, Mr. Pecker had been the Chief Executive Officer since 1992, and President since 1991, of Hachette. Prior to 1991, he was Executive Vice President/Publishing and Chief Operating and Chief Financial Officer of Hachette. Mr. Pecker has 29 years of publishing industry experience having worked as the Director of Financial Reporting at CBS, Inc. Magazine Group and as the Vice President and Controller of Diamandis Communications Inc. Mr. Pecker currently serves as a director of the Magazine Publishers' Association of America, as a director of the Madison Square Boys and Girls Club of New York, and was appointed to the Board of Trustees of Pace University in February 2009. Mr. Pecker holds a B.B.A. from Pace University, received an honorary doctorate degree in Commercial Science from Pace University in 1998, and is Founder, past President and a current director of the Federal Drug Enforcement Foundation.

Philip L. Maslowe became a Director in January 2009. Mr. Maslowe has served on the board of directors for NextMedia Group, Inc., an out-of-home media company that owns and operates radio and outdoor advertising properties throughout the United States since May 2010. Mr. Maslowe has served on the board of directors and chairman of the audit committee for United Site Services, Inc., a leading national provider of portable restrooms, temporary fence, storage, erosion control and power sweeping, since January 2010. Mr. Maslowe has served on the board of directors and as the chairman of the audit committee for Delek US Holdings, Inc., a diversified energy business, since May 2006, and has served on the board of directors and audit committee, as well as chairman of the human resources committee, of NorthWestern Corporation, a

publicly traded provider of electricity and natural gas, since December 2004. From 2008 to 2009, Mr. Maslowe served as a member of the board of directors and audit committee, as well as a member of the special committee to oversee the company, of Hilex Poly, Co., LLC, a leading manufacturer of plastic bag and film products. From March 2006 to February 2007, Mr. Maslowe served on the board of managers of Gate Gourmet Group Holding, LLC, a private company providing catering services to airlines. From 2002 to 2004, Mr. Maslowe served as a member of the board of directors and audit committee, as well as chairman of the corporate governance committee, of Mariner Health Care, Inc., a publicly-traded provider of post-acute health care services, and as chairman of the board of directors, chairman of the audit committee, and chairman or member of the compensation committee of AMF Bowling Worldwide, Inc., a company that operates bowling centers and holds an interest in a business that manufactures and sells bowling equipment. From 2000 to 2001, Mr. Maslowe, served as a member of the board of directors and audit committee of Bruno's Supermarkets, Inc., a supermarket chain in Alabama, Georgia, Florida and Mississippi. From 1997 to 2002, Mr. Maslowe served as executive vice president and chief financial officer of The Wackenhut Corporation, a provider of diversified outsourcing services for security, staffing and privatized prisons. Mr. Maslowe holds a B.B.A. from Loyola University of Chicago and received a Master of Management degree from Northwestern University and is a CPA.

Marc Nuccitelli became a Director in January 2009. Since December 2003, Mr. Nuccitelli has served as managing director and portfolio manager for Credit Opportunities for Brencourt Advisors, an investment firm. From 2002 to 2003, Mr. Nuccitelli served as senior vice president and head trader of Avenue Capital, where he managed and traded a distressed portfolio and co-managed a high-yield portfolio. From 2000 to 2002, Mr. Nuccitelli served as a principal of the Global Special Situations Group of Banc of America Securities, Inc. Mr. Nuccitelli holds a B.S. in Finance from Syracuse University.

Charles C. Koones became a Director in January 2009. Mr. Koones is CEO of Moon Tide Media, LLC and a principal of Rockmore Media, a Los Angeles-based media advisor. Previously, Mr. Koones was President of the RBI Entertainment Group and President and Publisher of *Variety* magazine. Mr. Koones serves as a board member of TheWrap, Inc. (Los Angeles), The New Visions Foundation (Los Angeles), Inner-City Arts and the President's Council of the University of Richmond. Mr. Koones holds a B.A. from the University of Richmond.

James N. Chapman became a Director in March 2009. Mr. Chapman is non-executive Vice Chairman of SkyWorks Leasing, LLC, an aircraft management services company, which he joined in December 2004. Mr. Chapman was associated with Regiment Capital Advisors, LLC, an investment advisor based in Boston specializing in high-yield investments, from January 2003 until joining SkyWorks Leasing, LLC. Prior to Regiment, Mr. Chapman acted as a capital markets and strategic planning consultant with private and public companies, as well as hedge funds (including Regiment), across a wide range of industries. Presently, he serves as a member of the Board of Directors of AerCap Holdings NV, Davel Communications, Inc., Scottish Re Group Limited, and Tembec Inc. Previously, he served as a member of the Board of Directors of Anchor Glass Container Corporation, Coinmach Service Corporation, SSA Global Technologies and Teleglobe International. In addition, Mr. Chapman is also a Board member of several private companies and serves on the Finance Committee of the Whitby School in Greenwich. Mr. Chapman has a B.A. from Dartmouth College and an M.B.A from The Amos Tuck School at Dartmouth College.

Cathryn C. Cranston became a Director in March 2009. From 2006 to October 2008, Mrs. Cranston was with Mansueto Ventures LLC where she served as Executive Vice President of both *Inc.* and *Fast Company* magazines. Prior to Mansueto Ventures LLC, Mrs. Cranston was World-wide Publisher for the *Harvard Business Review* from 2002 to 2006 and held other positions with the *Harvard Business Review* from 2000 to 2002. Mrs. Cranston has served as Chairman of the Governing Board for the Bulletin of the Atomic Scientists, a not-for-profit organization, since 2007 and was Chairman of the Board from 2005 to 2007. She received her B.A. from Harvard University.

Lawrence S. Kramer became a Director in March 2009. Mr. Kramer is a media consultant and an adjunct professor of Media Management at Syracuse University. He was Senior Adviser at Polaris Venture Partners, a national venture capital firm from January 2008 until January 2010. From March 2005 to November 2006, he was President of CBS Digital Media and continued to act as an adviser to CBS until April 2008. From 1997 until its sale to Dow Jones in January 2005, he was Chairman, Chief Executive Officer and Founder of MarketWatch, Inc. He currently sits on the Board of Directors of Discovery Communications, Answers.com, BlackArrow, Inc. and Harvard Business School Publishing, and serves on the Advisory Boards to the Newhouse School of Communications at Syracuse University, Minyanville, Crossboarders.tv, Newser.com and Jib Jab Media Inc. Previously, he served as a member of the Board of Directors of Xinhua Finance Media. He was a founding Board member and former Chairman of The Online Publishers Association. Mr. Kramer received his B.S. from Syracuse University and his M.B.A. from Harvard University.

Christopher Polimeni is Executive Vice President for Finance and Planning, Chief Financial Officer and Treasurer. Prior to being appointed Chief Financial Officer of the Company in March 2010, Mr. Polimeni served as Executive Vice President, Chief Accounting Officer and Treasurer from July 2009 and Senior Vice President of Finance and Treasurer of the Company

from September 2008 and as Senior Vice President of Process Improvement from the time he joined the Company in February 2007 until September 2008. Prior to joining the Company, he formed his own consulting firm in 2003 and provided services in areas such as SEC reporting, mergers and acquisitions, internal control evaluations, Chapter 11 reorganizations, and technology strategic planning and implementation. From 1994 to 2003 Mr. Polimeni served as Vice President of Finance and Corporate Controller of GE Supply Logistics, LLC (formerly Questron Technology, Inc.), the leading provider of inventory logistics management services. He practiced as a certified public accountant between 1987 and 1994. Mr. Polimeni has a B.B.A. in Accounting and Business Computer Information Systems from Hofstra University.

Kevin Hyson is Executive Vice President and Chief Marketing Officer. Mr. Hyson joined the Company as a Senior Vice President and was promoted to Executive Vice President in 2001. Prior to joining the Company, Mr. Hyson was President of Hylen Sharp Inc., a Greenwich, Connecticut based marketing firm whose clients included Hachette, JVC and Sony.

David Leckey became Executive Vice President, Consumer Marketing in February 2006. From 2001 to 2006, Mr. Leckey was Senior Vice President, Consumer Marketing at Hachette, where he spent 28 years. Prior to that, he was at Hearst Publications. Mr. Leckey has served on the Board of Directors of the Audit Bureau of Circulations since 1988, where he is Chairman of the Magazine Committee, which addresses issues confronting the media industry, especially those concerning circulation reporting and measurement standards. He was the 2002 recipient of the Lee C. Williams Lifetime Achievement Award by the Fulfillment Management Association.

John Swider is the Executive Vice President, Operations. Prior to joining the Company in November 1999, Mr. Swider was an Executive Vice President for Globe Communications Corp. His current responsibilities include production, manufacturing, newsstand circulation, corporate library/archives, customer service and the Mini Mag division. Mr. Swider holds a B.A. in Education from Wake Forest University.

Jeffrey Laymon is Senior Vice President, Controller and Chief Accounting Officer. Prior to being appointed Chief Accounting Officer in March 2010, Mr. Laymon served as Vice President, Internal Audit from May 2007, when he joined the Company, to January 2009 and was Vice President, Controller from January 2009. Prior to joining the Company, Mr. Laymon served as Vice President – Accounting at First Data Corporation, a provider of electronic payment processing solutions, from 1995 to 2006, and from 1984 to 1993, Mr. Laymon was Director of International Finance at Gulf + Western Corporation, a conglomerate corporation with a diversified business. Mr. Laymon has a B.A. in Accounting from Wake Forest University.

In connection with the Restructuring, the Prior Equityholders, certain current and former employees of Media, certain tendering holders of Prior Notes (collectively representing approximately 78% of the outstanding principal amount of Prior Notes), the Prior Equityholders' representative and Media entered into the Stockholders Agreement, dated January 30, 2009 (the "Stockholders Agreement"). Under the Stockholders Agreement, the boards of directors of the Company and Media are composed of seven members, one of whom is the chief executive officer of the Company and Media and the remaining six directors are designated by certain stockholders, each of whom, collectively with its affiliates, beneficially owns at least 5% of the common stock of Media following the Restructuring (the "Committee Holders") pursuant to the following designation rights: (A) so long as a Committee Holder holds shares representing 10% or more of the outstanding common stock of Media, it will have the right to designate one director and (B) for so long as Committee Holders collectively hold shares representing more than 50% of the outstanding common stock of Media, the remaining directors will be designated by the approval of Committee Holders (i) representing a majority in number of the Committee Holders and (ii) representing more than 50% of common stock held by the Committee Holders. As Committee Holders each representing 10% of more of the outstanding common stock of Media, (1) Angelo, Gordon & Co., L.P., as investment manager of several investment funds and separately managed accounts, designated Philip L. Maslowe as a director, (2) Avenue Capital Management II, L.P., as manager of several investment funds, designated Marc Nuccitelli as a director and (3) Capital Research and Management Company, Capital Guardian Trust Company and Capital International, Inc., as investment managers or advisers for certain funds and other entities, collectively designated Charles C. Koones as a director. James N. Chapman, Cathryn C. Cranston and Lawrence S. Kramer were designated as directors by a majority of the Committee Holders.

Item 11. ***Executive Compensation***

Item omitted as permitted pursuant to the terms of Section 4.03 of each of the Indentures.

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

The following table presents, as of May 31, 2010, information relating to the beneficial ownership of Media (the parent of the Company), held by persons who are known to the Company to be the beneficial owners of more than 5% thereof, by each director of the Company, by certain executive officers of the Company and by all of the executive officers and directors of the Company as a group.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent
American High-Income Trust(1)	1,707,468	27.2%
Angelo, Gordon & Co., L.P.(2)	1,087,365	17.3%
Avenue Capital Management II, L.P.(3)	1,124,665	17.9%
Credit Suisse Securities (USA) LLC(4)	491,154	7.8%
Regiment Capital Ltd.(5)	397,423	6.3%
Philip L. Maslowe (6)	8,000	*
Marc Nuccitelli (6)	8,000	*
Charles C. Koones (6)	8,000	*
James N. Chapman (6)	8,000	*
Cathryn C. Cranston (6)	8,000	*
Lawrence S. Kramer (6)	8,000	*
David J. Pecker	173,019	*
Christopher Polimeni	3,723	*
Kevin Hyson	5,366	*
David Leckey	5,011	*
John Swider	4,736	*
Jeffrey Laymon	3,150	*

* Does not exceed one percent.

(1) Reflects the 1,707,467.710 shares of common stock held of record by American High-Income Trust. Capital Research and Management Company serves as the investment adviser for American High-Income Trust. In its capacity as investment adviser, Capital Research and Management Company has voting and investment power with respect to the shares held of record by American High-Income Trust. For purposes of the reporting requirements of the Securities Exchange Act of 1934, Capital Research and Management Company may be deemed to be the beneficial owner of all of the shares held by the fund or affiliated funds. Capital Research and Management Company, however, expressly disclaims that it is, in fact, the beneficial owner of such shares. Does not reflect shares of Media's common stock held by other funds for which Capital Research and Management Company also serves as the investment advisor and has voting and/or investment power. Capital Research and Management Company is an investment adviser registered under the Investment Advisers Act of 1940. The address of American High-Income Trust is 333 South Hope Street, Los Angeles, CA 90071. The information relating to such person is based on information provided to us by such person.

(2) Reflects the 1,087,364.940 shares of common stock held of record by several investment funds and separately managed accounts managed by Angelo, Gordon & Co., L.P. ("Angelo, Gordon"). In such capacity, Angelo, Gordon may be deemed to have sole voting and sole dispositive power over the shares owned by the investment funds and separately managed accounts. John M. Angelo and Michael L. Gordon are the principal executive officers of Angelo, Gordon, and in such capacity may also be deemed to have shared voting and shared dispositive power over these shares. Each of Angelo, Gordon and Messrs. Angelo and Gordon expressly disclaims beneficial ownership of the shares held by the investment funds and separately managed accounts. The address of Angelo, Gordon & Co., L.P. is 245 Park Avenue, New York, New York 10167. The information relating to such person is based on information provided to us by such person.

(3) Reflects the 1,124,665.170 shares of common stock held of record by several investment funds managed by Avenue Capital Management II, LP. Marc Lasry is the managing member of Avenue Capital Management II GenPar, L.L.C., the general partner of Avenue Capital Management II, L.P. Each of Avenue Capital Management II, L.P. and Mr. Lasry expressly disclaims beneficial ownership of the shares held by the investment funds. The address of Avenue Capital Management II, L.P. is 535 Madison Avenue, 14th Floor, New York, NY 10022. The information relating to such person is based on information provided to us by such person.

(4) Reflects the 491,153.890 shares of common stock held of record by Credit Suisse Securities (USA) LLC for its own account. Credit Suisse Securities (USA) LLC has sole voting and sole dispositive power over the shares it owns. The address of Credit Suisse Securities (USA) LLC is 11 Madison Avenue, New York, New York 11010. The information relating to such person is based on information provided to us by such person.

(5) Reflects the 397,422.510 shares of common stock held of record by several investment funds and separately managed accounts, including Regiment Capital Ltd., managed by Regiment Capital Management, LLC. Regiment Capital Management, LLC is a wholly owned subsidiary of Regiment Capital Advisors, LP, and has sole voting and sole dispositive power over the shares owned by Regiment Capital Ltd. The general partner of Regiment Capital Advisors, LP is Regiment Capital Advisors, LLC. For purposes of the reporting requirements of the Securities Exchange Act of 1934, Regiment Capital Management, LLC may be deemed to be the beneficial owner of all of the shares held by the fund, affiliated funds or separately managed accounts. Regiment Capital Management, LLC, however, expressly disclaims that it is, in fact, the beneficial owner of all of such shares. The address of Regiment Capital Management, LLC is 222 Berkeley Street, 12th Floor, Boston, MA 02116. The information relating to such person is based on information provided to us by such person.

(6) 8,000 shares of Media common stock were granted to each non-employee director of Media on April 17, 2009 under the American Media, Inc. Fiscal Year 2010 Non-Employee Director Stock Plan (the "Plan") and the Stock Bonus and Restricted Stock Agreement with the director (the "Award Agreement"). Pursuant to the terms of the Plan and the Award Agreement, the shares granted to each director were subject to the following vesting schedule: 2,000 shares were fully vested as of the date of grant; 2,000 shares became fully vested on March 31, 2010; 2,000 shares will become fully vested on March 31, 2011; and 2,000 shares will become fully vested on March 31, 2012. Any unvested shares will become immediately vested upon a director's death or "disability" or a "change in control," as those terms are defined in the Plan. If the director's service on the Board of Directors ends for any other reason, the director will forfeit any shares that are unvested as of the date of his or her termination of service.

Unless otherwise indicated, beneficial owners listed above may be contacted at the Company's corporate address at 1000 American Media Way, Boca Raton, FL 33464. Under the rules of the Securities Exchange Act of 1934, as amended, a person is deemed to be a beneficial owner of a security if that person has or shares voting power, which includes the power to vote or to direct the voting of such security, or investment power, which includes the power to dispose of or to direct the disposition of such security. A person is also deemed to be the beneficial owner of any securities of which that person has the right to acquire beneficial ownership within 60 days. Under these rules, more than one person may be deemed to be a beneficial owner of the same securities and a person may be deemed to be a beneficial owner of securities as to which that person has no beneficial interest.

Item 13. ***Certain Relationships and Related Transactions, and Director Independence***

Information required by Item 407 of Regulation S-K (Corporate Governance) promulgated by the SEC was omitted from Item 13 herein as permitted pursuant to the terms of Section 4.03 of each of the Indentures.

Vertis performs significant portions of the Company's Tabloid Publications pre-press operations. Prior to the Restructuring, certain affiliates of T.H. Lee owned 59.0% of the Class A units of the LLC, and certain affiliates of Evercore owned 21.8% of the Class A units of the LLC. Evercore and T.H. Lee and their affiliates beneficially owned approximately 10% and 62%, respectively, of Vertis until Vertis emerged from a pre-packaged bankruptcy on August 26, 2008. As of August 26, 2008, Vertis ceased to be a related party.

As a result of the Restructuring, Vertis again became a related party effective January 30, 2009 due to the new shareholders of Media holding significant equity interest in Vertis following its emergence from bankruptcy.

Payments to Vertis for these services totaled $2.6 million, $3.1 million, and $3.0 million for fiscal years 2010, 2009 and 2008, respectively. At March 31, 2010 and 2009, the Company had payables due to Vertis of $285,000 and $301,000,

respectively.

The Charter of the Audit Committee requires the Audit Committee to review and approve all proposed transactions or dealings with related persons, and to discuss such transactions and their appropriate disclosure in our financial statements with management and the Company's independent registered public accounting firm.

Item 14. ***Principal Accountant Fees and Services***

Item omitted as permitted pursuant to the terms of Section 4.03 of each of the Indentures.

PART IV

Item 15. ***Exhibits and Financial Statement Schedules***

Information required by Item 601 (Exhibits) of Regulation S-K promulgated by the SEC was omitted from Item 15 herein as permitted pursuant to the terms of Section 4.03 of each of the Indentures.

The following documents are provided with this Annual Report:

1. All Financial Statements and Supplemental Information – see Index to Consolidated Financial Statements
2. Financial Statement Schedules – Schedule II – Valuation and Qualifying Accounts

Schedule II – Valuation and Qualifying Accounts (Unaudited)

All other financial statements and schedules have been omitted because the information required to be submitted has been included in the Consolidated Financial Statements and related notes or because they are either not applicable or not required under the rules of Regulation S-X.

The table below summarizes the activity in the valuation accounts for the periods indicated (in thousands):

	Balance, Beginning of Period	Charged to Costs and Expenses	Charged to Other Accounts	Deductions, Write-Offs, Net	Balance, End of Period
Trade Accounts Receivable Allowance for Doubtful Accounts					
For the fiscal year ended March 31, 2010	$ 3,185	$ 653	$ -	$ (1,449)	$ 2,389
For the fiscal year ended March 31, 2009	$ 3,565	$ 1,032	$ 69	$ (1,481)	$ 3,185
For the fiscal year ended March 31, 2008	$ 1,893	$ 1,741	$ 434	$ (503)	$ 3,565
Subscription Accounts Receivable Allowance for Doubtful Accounts					
For the fiscal year ended March 31, 2010	$ 4,365	$ 1,061	$ -	$ (1,955)	$ 3,471
For the fiscal year ended March 31, 2009	$ 3,956	$ 1,217	$ -	$ (808)	$ 4,365
For the fiscal year ended March 31, 2008	$ 4,016	$ 1,157	$ -	$ (1,217)	$ 3,956
Deferred Income Taxes Valuation Allowance					
For the fiscal year ended March 31, 2010	$ 158,121	$ (22,265)	$ -	$ -	$ 135,856
For the fiscal year ended March 31, 2009	$ 98,862	$ 59,259	$ -	$ -	$ 158,121
For the fiscal year ended March 31, 2008	$ 73,243	$ 23,166	$ 2,453	$ -	$ 98,862
Inventory Obsolescence Allowance for Excess and Obsolete Inventory					
For the fiscal year ended March 31, 2010	$ 857	$ -	$ (293)	$ (13)	$ 551
For the fiscal year ended March 31, 2009	$ 765	$ 94	$ -	$ (2)	$ 857
For the fiscal year ended March 31, 2008	$ 923	$ 24	$ -	$ (182)	$ 765

Exhibit D

Audited Financial Statements

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholder of American Media Operations, Inc.:
Boca Raton, Florida

We have audited the accompanying consolidated balance sheets of American Media Operations, Inc., a wholly owned subsidiary of American Media, Inc., and subsidiaries (the "Company") as of March 31, 2010 and 2009, and the related consolidated statements of income (loss), stockholder's deficit and comprehensive income (loss), and cash flows for each of the three fiscal years in the period ended March 31, 2010. 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 consolidated financial statements present fairly, in all material respects, the financial position of the Company as of March 31, 2010 and 2009, and the results of its operations and its cash flows for each of the three fiscal years in the period ended March 31, 2010, in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements for the year ended March 31, 2010 have been prepared assuming that the Company will continue as a going concern. As discussed in Note 19 to the consolidated financial statements, the Company's intention to engage in a financial restructuring through solicitation of a prepackaged plan of reorganization under Chapter 11 of the Bankruptcy Code raises substantial doubt about its ability to continue as a going concern. Management's plans concerning these matters are also discussed in Note 19 to the consolidated financial statements. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ DELOITTE & TOUCHE LLP
Certified Public Accountants

Boca Raton, Florida
June 9, 2010 (October 29, 2010 as to Note 19)

AMERICAN MEDIA OPERATIONS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in thousands, except share information)

ASSETS	March 31, 2010	March 31, 2009
CURRENT ASSETS:		
Cash and cash equivalents	$ 6,606	$ 18,995
Trade receivables, net of allowance for doubtful accounts of $5,359 and $7,050, respectively	48,503	61,276
Inventories	13,448	18,263
Prepaid expenses and other current assets	20,232	15,782
Total current assets	88,789	114,316
PROPERTY AND EQUIPMENT, NET:		
Leasehold improvements	1,824	1,818
Furniture, fixtures and equipment	31,799	28,876
Less – accumulated depreciation	(27,129)	(24,432)
Total property and equipment, net	6,494	6,262
OTHER ASSETS:		
Deferred debt costs, net	10,938	13,803
Deferred rack costs, net	8,461	6,686
Other long-term assets	3,257	2,311
Total other assets	22,656	22,800
GOODWILL AND OTHER IDENTIFIED INTANGIBLE ASSETS:		
Goodwill	230,885	245,448
Other identified intangibles, net of accumulated amortization of $104,786 and $158,606, respectively	271,635	278,017
Total goodwill and other identified intangible assets	502,520	523,465
TOTAL ASSETS	$ 620,459	$ 666,843
LIABILITIES AND STOCKHOLDER'S DEFICIT		
CURRENT LIABILITIES:		
Term loan	$ 4,500	$ 4,500
Senior subordinated notes, net (including $32.0 million and $15.5 million in future interest payments as of March 31, 2010 and March 31, 2009 - See Note 7)	39,458	29,542
Accounts payable	15,679	27,399
Accrued expenses and other liabilities	38,555	51,796
Accrued interest	1,433	5,068
Deferred revenues	36,929	37,742
Total current liabilities	136,554	156,047
NON-CURRENT LIABILITIES:		
Term loan and revolving credit facility	449,371	482,871
Senior subordinated notes, net (including $166.4 million and $216.7 million in future interest payments as of March 31, 2010 and March 31, 2009 - See Note 7)	521,151	545,078
Other non-current liabilities	9,083	6,174
Deferred income taxes	82,734	58,376
Total liabilities	1,198,893	1,248,546
COMMITMENTS AND CONTINGENCIES (Note 11)		
STOCKHOLDER'S DEFICIT:		
Common stock, $0.0001 par value; 7,500,000 shares authorized; 6,284,360 issued and outstanding as of March 31, 2010; 5,994,411 shares issued and outstanding as of March 31, 2009.	1	1
Additional paid-in capital	282,747	282,695
Accumulated deficit	(861,002)	(864,220)
Accumulated other comprehensive loss	(180)	(179)
Total stockholder's deficit	(578,434)	(581,703)
TOTAL LIABILITIES AND STOCKHOLDER'S DEFICIT	$ 620,459	$ 666,843

The accompanying notes to the consolidated financial statements are an integral part of these consolidated financial statements.

AMERICAN MEDIA OPERATIONS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME (LOSS)
For the Three Fiscal Years in the Period Ended March 31, 2010
(in thousands)

	Fiscal Year Ended		
OPERATING REVENUES:	**March 31, 2010**	**March 31, 2009**	**March 31, 2008**
Circulation	$ 246,214	$ 254,959	$ 271,717
Advertising	134,281	171,127	181,494
Other	31,935	35,563	37,563
Total operating revenues	412,430	461,649	490,774
OPERATING EXPENSES:			
Editorial	44,307	48,779	51,527
Production	119,660	141,997	138,251
Distribution, circulation and other cost of sales	71,893	86,225	86,859
Selling, general and administrative	71,365	84,756	103,398
Depreciation and amortization	6,633	9,573	12,588
Provision for impairment of intangible assets and goodwill	17,595	217,350	31,097
Total operating expenses	331,453	588,680	423,720
OPERATING INCOME (LOSS)	80,977	(127,031)	67,054
OTHER (EXPENSE) INCOME:			
Interest expense	(50,601)	(85,251)	(99,042)
Senior subordinated notes issued (Note 7)	-	-	(17,109)
Amortization of deferred debt costs	(3,893)	(9,849)	(10,926)
Other income, net	-	537	2,522
Gain on extinguishment of debt (Note 7)	-	4,858	-
Total other expense	(54,494)	(89,705)	(124,555)
INCOME (LOSS) BEFORE PROVISION (BENEFIT) FOR INCOME TAXES AND INCOME (LOSS) FROM DISCONTINUED OPERATIONS	26,483	(216,736)	(57,501)
PROVISION (BENEFIT) FOR INCOME TAXES	22,756	(33,339)	3,284
INCOME (LOSS) FROM CONTINUING OPERATIONS	3,727	(183,397)	(60,785)
INCOME (LOSS) FROM DISCONTINUED OPERATIONS, NET OF INCOME TAXES	-	500	(685)
NET INCOME (LOSS)	3,727	(182,897)	(61,470)
LESS: NET INCOME ATTRIBUTABLE TO THE NONCONTROLLING INTEREST	(509)	(426)	(424)
NET INCOME (LOSS) ATTRIBUTABLE TO AMERICAN MEDIA OPERATIONS, INC AND SUBSIDIARIES	$ 3,218	$ (183,323)	$ (61,894)

The accompanying notes to the consolidated financial statements are an integral part of these consolidated financial statements.

AMERICAN MEDIA OPERATIONS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDER'S DEFICIT
AND COMPREHENSIVE INCOME (LOSS)
For the Three Fiscal Years in the Period Ended March 31, 2010
(in thousands, except share information)

	Common Stock		Additional		Accumulated Other	Total	
	Shares	Amount	Paid-In Capital	Accumulated Deficit	Comprehensive Income (Loss)	Stockholder's Deficit	Comprehensive Income (Loss)
Balances, March 31, 2007	7,508	$ 2	$ 281,671	$ (616,258)	$ 168	$ (334,417)	
Net loss	-	-	-	(61,470)	-	(61,470)	$ (61,470)
Foreign currency translation	-	-	-	-	(26)	(26)	(26)
Impact of adoption of ASC 740 on accumulated deficit on April 1, 2007	-	-	-	(2,745)		(2,745)	-
Comprehensive loss	-	-	-	-	-	-	(61,496)
Comprehensive income attributable to the noncontrolling interest	-	-	-	424	-	424	424
Comprehensive loss attributable to American Media Operations, Inc. and Subsidiaries							$ (61,920)
Balances, March 31, 2008	7,508	2	281,671	(680,897)	142	(399,082)	
Net loss	-	-	-	(182,897)	-	(182,897)	$ (182,897)
Foreign currency translation	-	-	-	-	(321)	(321)	(321)
Retirement of common stock	(7,508)	(2)	-	-	-	(2)	-
Issuance of common stock	5,994,411	1	1,024	-	-	1,025	-
Comprehensive loss	-	-	-	-	-	-	(183,218)
Comprehensive income attributable to the noncontrolling interest	-	-	-	426	-	426	426
Comprehensive loss attributable to American Media Operations, Inc. and Subsidiaries							$ (183,644)
Balances, March 31, 2009	5,994,411	1	282,695	(864,220)	(179)	(581,703)	
Net income	-	-	-	3,727	-	3,727	$ 3,727
Foreign currency translation	-				(1)	(1)	(1)
Issuance of common stock	289,949	-	52			52	
Comprehensive income	-	-	-	-	-	-	3,726
Comprehensive income attributable to the noncontrolling interest	-	-	-	509	-	509	509
Comprehensive income attributable to American Media Operations, Inc. and Subsidiaries							$ 3,217
Balances, March 31, 2010	6,284,360	$ 1	$ 282,747	$ (861,002)	$ (180)	$ (578,434)	

The accompanying notes to the consolidated financial statements are an integral part of these consolidated financial statements.

AMERICAN MEDIA OPERATIONS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Three Fiscal Years in the Period Ended March 31, 2010
(in thousands)

	Fiscal Year Ended		
	March 31, 2010	March 31, 2009	March 31, 2008
Cash Flows from Operating Activities:			
Net income (loss)	$ 3,727	$ (182,897)	$ (61,470)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation of property and equipment	3,283	2,973	4,233
Amortization of other identified intangibles	3,350	6,600	8,355
Gain on extinguishment of debt (Note 7)	-	(4,858)	-
Provision for impairment of intangible assets and goodwill	17,595	217,350	31,097
Senior subordinated notes issued (Note 7)	-	-	17,109
Provision for bad debts	1,612	2,248	2,898
Amortization of deferred debt costs	3,893	9,849	10,926
Amortization of deferred rack costs	5,892	11,232	10,810
Net income attributable to the noncontrolling interest	(509)	(426)	(424)
Write-off of deferred rack costs and property and equipment	-	-	195
Provision for excess and obsolete inventory	-	94	24
Deferred income tax provision (benefit)	22,273	(31,225)	2,490
Management fee payable	-	(4,000)	-
Other	(1,121)	280	(296)
Decrease (increase) in operating assets:			
Trade receivables	11,161	(6,450)	(11,470)
Inventories	4,815	10,272	(5,128)
Prepaid expenses and other current assets	(4,450)	(1,553)	508
Deferred rack costs	(7,667)	(10,169)	(6,916)
Other long-term assets	(946)	439	(142)
Increase (decrease) in operating liabilities:			
Accounts payable	(11,720)	(15,112)	9,322
Accrued expenses and other current liabilities	(9,140)	(10,689)	1,130
Accrued interest	(3,635)	18,897	(7,489)
Deferred revenues	(813)	(3,924)	(953)
Other non-current liabilities	2,650	833	-
Management fee payable	-	-	2,000
Total adjustments and changes in operating assets and liabilities	36,523	192,661	68,279
Net cash provided by operating activities	40,250	9,764	6,809
Cash Flows from Investing Activities:			
Purchases of property and equipment	(4,571)	(2,972)	(2,350)
Proceeds from sale of assets	649	45	408
Proceeds from sale of discontinued operations	-	500	-
Investment in Mr. Olympia, LLC	(300)	(300)	(300)
Net cash used in investing activities	(4,222)	(2,727)	(2,242)
Cash Flows from Financing Activities:			
Proceeds from revolving credit facility	6,000	74,000	-
Term loan and revolving credit facility principal repayments	(39,500)	(96,629)	-
Payment of consent fees	-	(6,624)	-
Payment to retire senior subordinated indebtedness	(14,025)	-	-
Payment of restructuring costs, net	-	(407)	-
Payment of debt costs	(1,685)	(22,517)	(942)
Net cash used in financing activities	(49,210)	(52,177)	(942)
Effect of exchange rate changes on cash	793	(31)	127
Net (Decrease) Increase in Cash and Cash Equivalents	(12,389)	(45,171)	3,752
Cash and Cash Equivalents, Beginning of Period	18,995	64,166	60,414
Cash and Cash Equivalents, End of Period	$ 6,606	$ 18,995	$ 64,166
Supplemental Disclosures of Cash Flow and Non-Cash Financing Activities Information:			
Cash paid during the period for -			
Income taxes	$ 1,934	$ 528	$ 534
Interest	$ 53,473	$ 63,983	$ 106,057
Non-cash property and equipment (incurred but not paid)	$ 75	$ 1,134	$ -
Non-cash debt costs (incurred but not paid)	$ 650	$ 7,610	$ 148
Non-cash portion of debt extinguishment	$ -	$ 112,159	$ -
Non-cash portion of debt issuance	$ 33,791	$ 12,058	$ -

The accompanying notes to the consolidated financial statements are an integral part of these consolidated financial statements.

(1) Description of Business, Basis of Presentation and Summary of Significant Accounting Policies

Description of Business and Basis of Presentation

The Consolidated Financial Statements include the accounts of American Media Operations, Inc. and its subsidiaries (collectively, the "Company"). The Company is a wholly owned subsidiary of American Media, Inc. ("Media"). The Company consolidates all majority owned subsidiaries and investments in entities in which it has a controlling influence. Non-majority owned investments are accounted for using the equity method when the Company has the ability to significantly influence the operating decisions of the issuer. When the Company does not have the ability to significantly influence the operating decisions of an issuer, the cost method is used. All intercompany accounts and transactions have been eliminated in consolidation.

The accompanying Consolidated Financial Statements have been prepared assuming that the Company is a going concern, which contemplates the realization of assets and the liquidation of liabilities in the normal course of business. See Note 19, "Subsequent Events."

On January 30, 2009, the Company successfully completed its cash tender offers and receipt of requisite consents in the related consent solicitations in respect of its then outstanding senior subordinated notes, consisting of (1) $414.5 million aggregate principal amount of 10 1/4% Series B Senior Subordinated Notes due 2009 (the "2009 Notes") and (2) $155.5 million aggregate principal amount of 8 7/8% Senior Subordinated Notes due 2011 (the "2011 Notes" and, together with the 2009 Notes, the "Prior Notes"). $400.5 million of the 2009 Notes and $148.0 million of the 2011 Notes were validly tendered and accepted for payment and consents were delivered with respect to the Prior Notes.

On December 31, 2008, the Company amended and restated its Credit Agreement dated as of January 30, 2006 (the "2006 Credit Agreement"), among the Company, Media, the lenders party thereto, JPMorgan Chase Bank, N.A., as Administrative Agent, and Deutsche Bank Securities Inc., as Syndication Agent (the "2009 Credit Agreement"). On January 30, 2009, concurrently with the consummation of its cash tender offers, the 2009 Credit Agreement became effective.

On January 29, 2009, the Company amended and restated its articles of incorporation to increase the number of shares authorized to be issued from 10,000 to 7,500,000 and changed the par value of such common stock from $0.20 to $0.0001. In addition, the Company exchanged 5,994,411 shares of common stock (the "Common Stock") for 7,508 shares common stock previously owned by Media.

On January 30, 2009, the Company issued (i) $21.2 million aggregate principal amount of 9% Senior PIK Notes due 2013 (the "Senior PIK Notes") under an indenture governing the Senior PIK Notes (the "Senior PIK Notes Indenture") and (ii) $299.7 million aggregate principal amount of 14% Senior Subordinated Notes due 2013 (the "Senior Subordinated Notes") under an indenture governing the Senior Subordinated Notes (the "Senior Subordinated Notes Indenture" and, together with the Senior PIK Notes Indenture, the "Indentures"). (The Senior PIK Notes and the Senior Subordinated Notes are referred herein as the "New Notes".) Also on January 30, 2009, Media sold 5,688,891 shares of Common Stock (valued at approximately $1.0 million) (and, together with the New Notes, the "Securities") for an aggregate purchase price of $126.0 million, pursuant to a purchase agreement dated January 29, 2009, among Media, the Company, the other parties named therein and J.P. Morgan Securities Inc. The cash proceeds from the offering of the Securities (the "Offering"), together with the Company's cash on hand, were used to purchase the tendered portion of the Prior Notes in the tender offers and to pay approximately $35.0 million of fees and expenses related to the Offering and the tender offers and consent solicitations. In addition, on January 30, 2009, Media issued 305,520 shares of Common Stock to Media's equityholders prior to the financial restructuring (the "Prior Equityholders") in exchange for the Common Stock they owned prior to the restructuring.

As a result of the restructuring of the Company's capital structure and the issuance of Common Stock by Media to the bondholders who participated in the cash tender offers completed on January 30, 2009 and receipt of requisite consent solicitations (the "Tendering Bondholders"), the Tendering Bondholders acquired 94.9% of Media's Common Stock on January 30, 2009. The Prior Equityholders retained 5.1% of Media's Common Stock.

These transactions were accounted for as a troubled debt restructuring and are referred to collectively as the "Restructuring" in this Annual Report.

As of March 31, 2010, the Company published seven weekly publications: *National Enquirer, Star, Globe, National Examiner, Country Weekly, Mira!* and *Sun*; three monthly publications: *Muscle & Fitness, Shape* and *Flex*; two bi-monthly publications: *Fit Pregnancy* and *Muscle & Fitness Hers*; and two publications which are published ten times per year: *Men's Fitness* and *Natural Health*. Distribution Services, Inc. ("DSI"), the Company's wholly owned subsidiary, arranges for the placement of the Company's publications and third-party publications with retailers, and monitors through its regional managers and merchandising staff that our publications and third-party publications are properly displayed in stores, primarily national and regional supermarket chains and major retail chains such as Wal-Mart, Kroger Companies, Safeway, Super Valu/Albertsons, Stop & Shop/Giant Food, Publix, H.E. Butt, Food Lion/Sweetbay, Great A&P Tea Company and Winn Dixie. DSI also coordinates (also known as acting as a "category manager/front-end advisor") the racking of magazine fixtures for selected retailers. In addition, DSI provides marketing, merchandising and information gathering services to third parties including non-magazine clients.

Revenue Recognition

The Company's revenues are primarily comprised of single copy, subscription and advertising. Single copy, subscription and advertising revenue and related expenses for the Company's publications are recognized on the on-sale date.

Revenues from single copy sales are recognized net of expected sales returns, after considering such factors as sales history and available market information. All of the Company's publications are sold with full return privileges. The Company's major U.S. and Canadian distributor provides the Company weekly reporting on the actual returns by publication and by issue of each publication. The Company also receives sales data from certain retailers that sell its publications. The Company utilizes these data sources as well as the Company's long-term history of sales data by publication to estimate the actual anticipated sale of the Company's publications and the Company's experience has demonstrated that the actual sale of each issue of each magazine can be reasonably estimated based on this information. The Company's in-house circulation department has developed financial models which the Company utilizes when projecting the anticipated sale of magazines. Revenues are also presented net of deferred rack cost amortization, terminal rack promotions, product placement costs ("retail display allowances and pockets") paid to the retailers and sales taxes.

Other revenues, primarily from marketing services performed for third parties by DSI, are recognized when the service is performed.

Wholesaler Concentrations

As of March 31, 2010, single copy revenue consisted of copies distributed to newsstands primarily by three wholesalers, which the Company estimates represented 81% of the newsstand distribution market, as well as several smaller wholesalers who represented the remaining 19%. Operating revenue generated by these wholesalers is included in the Celebrity Publications, Tabloid Publications, Women's Health and Fitness Publications, and Corporate/Other segments. In fiscal year 2010, two wholesalers each accounted for greater than 10% of the Company's total operating revenue and in the aggregate accounted for approximately 45% of the Company's total operating revenue. In fiscal year 2009, three wholesalers each accounted for greater than 10% of the Company's total operating revenue and in the aggregate accounted for approximately 36% of the Company's total operating revenue. In fiscal year 2008, three wholesalers each accounted for greater than 10% of the Company's total operating revenue and in the aggregate accounted for approximately 37% of the Company's total operating revenue. The Company has service agreements with these wholesalers, which provide incentives to maintain certain levels of service. The Company's operating results could be materially affected by disruption of the distribution of its magazines through the wholesalers. See Note 11, "Commitments and Contingencies – Litigation," for a description of litigation filed by former wholesalers.

Barter Transactions

The Company trades advertisements in its publications in exchange for advertising and goods and services. Revenue and related expenses from barter transactions are recorded at fair value. Revenue from barter transactions is recognized in accordance with the Company's revenue recognition policies. Expense from barter transactions is recognized as incurred. Revenue and expense from barter transactions for the fiscal years 2010, 2009 and 2008 were not significant.

Editorial Costs

External editorial costs relating to photos, artwork and text are expensed as the issue relating to each specific cost is recognized as revenue. Internal editorial costs are expensed as incurred.

Product Placement Costs

Product placement costs include retail display allowance ("RDA"), which is based on a percentage of a publication's cover price and paid directly to retailers, and retail display pockets ("RDP"), which is a fixed per pocket fee paid directly to retailers. The Company pays either RDA or RDP to a particular retailer, but not both. Product placement costs are expensed and are recorded as a reduction to revenue as the issue relating to each specific cost is recognized as revenue.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand or deposited in demand deposit accounts with financial institutions and highly liquid investments with an original maturity of three months or less.

Trade Receivables and Allowance for Doubtful Accounts

Substantially all of the Company's trade receivables are from single copy distributors, subscriptions and advertising customers. The Company maintains allowances for doubtful accounts for estimated losses resulting from its customers not making required payments. The Company makes estimates of the collectibility of trade receivables. The Company critically reviews trade receivables and analyzes historical bad debts, past-due accounts, customer credit-worthiness and current economic trends when evaluating the adequacy of the allowance for doubtful accounts.

Inventories

Inventories are stated at the lower of cost or market. Cost is determined on the first-in, first-out (FIFO) method. The Company writes down inventory for estimated obsolescence and/or excess or damaged inventory. During fiscal years 2009 and 2008, the Company wrote down $0.1 million and $24 thousand of inventory, respectively. There were no such write-downs in fiscal year 2010. This write down is included in production expense in the accompanying Consolidated Statements of Income (Loss). Inventories are comprised of the following at March 31 (in thousands):

	2010	2009
Raw materials — paper	$ 9,785	$ 15,669
Finished product — paper, production and distribution costs of future issues	3,663	2,594
Total inventory	$ 13,448	$ 18,263

Prepaid expenses and other current assets

Prepaid expenses and other current assets are comprised of the following at March 31 (in thousands):

	2010	2009
Direct-response advertising costs	$ 3,886	$ 4,897
Other receivables	3,013	4,131
Prepaid insurance	1,628	1,712
Prepaid postage	396	370
Other prepaid expenses	5,353	3,398
Other current assets	5,956	1,274
Total prepaid expenses and other current assets	$ 20,232	$ 15,782

Direct-Response Advertising Costs

Direct-response advertising costs that are intended to solicit subscriptions and are expected to result in probable future benefits are capitalized. These costs are amortized over the period during which future benefits are expected to be received, which is generally the related one-year subscription period. Amortization of these costs was $6.3 million, $6.4 million and $6.6 million for fiscal years 2010, 2009 and 2008, respectively, and is included in subscription costs, which is part of distribution, circulation and other costs of sales in the accompanying Consolidated Statements of Income (Loss).

The asset balance of the capitalized direct-response advertising costs is reviewed quarterly to ensure the amount is realizable. Any write-downs resulting from this review are expensed as subscription acquisition advertising costs in the current period. Capitalized direct-response advertising costs were $3.9 million and $4.9 million at March 31, 2010 and 2009, respectively, and are included in prepaid expenses and other current assets in the accompanying Consolidated Balance Sheets. There were no material write-downs of capitalized direct-response advertising costs in any of the three fiscal years in the period ended March 31, 2010.

Long-Lived Assets

The Company reviews long-lived and finite-lived intangible assets for impairment whenever a significant event occurs or circumstances change, such as those affecting general market conditions or pertaining to a specific industry or an asset category, which indicates that the carrying amount of such assets may not be fully recoverable. When such factors, events or circumstances indicate that long-lived assets should be evaluated for possible impairment, the Company uses an estimate of cash flows (undiscounted and without interest charges) over the remaining lives of the assets to measure recoverability. If the estimated undiscounted cash flows are less than the carrying value of the asset, the loss is measured as the amount by which the carrying value of the asset exceeds fair value. For a detailed description of impairment charges, see Note 2, “Goodwill and Other Identified Intangible Assets.”

Property and Equipment

The Company uses the straight-line depreciation method for financial reporting. The estimated lives used in computing depreciation for financial reporting purposes are 1 to 5 years for leasehold improvements, and 3 to 10 years for all other depreciable fixed assets. Depreciation for leasehold improvements is provided using the straight-line method over the shorter of the lease term or the estimated useful lives of the respective assets. Maintenance and repair costs are charged to expense as incurred. Significant improvements and betterments are capitalized.

The Company expenses internal use software costs incurred in the preliminary project stage and thereafter capitalizes costs incurred in developing or obtaining internal use software and includes them in property and equipment, net. Certain costs, such as maintenance and training, are expensed as incurred. Capitalized costs are amortized over a period of not more than three years using the straight-line method. The Company capitalizes certain costs, which generally include hardware, software, and payroll-related costs for employees who are directly associated with and who devote time to the development of internal use computer software. Costs capitalized as of March 31, 2010, 2009 and 2008 were not significant.

Deferred Debt Costs

Debt issuance costs are amortized under the effective-interest method over the terms of the related indebtedness which range from 3 to 5 years.

Deferred Rack Costs

Rack costs are capitalized and amortized as a reduction of circulation revenue in accordance with the terms of the relevant agreements (typically 36 months). The Company performs periodic and timely reviews to determine if impairment charges are required due to market conditions including store closings or store bankruptcies.

Other Long-Term Assets

Other long-term assets primarily consist of deposits on leased facilities and a deposit with the Company’s largest national

distributor.

Goodwill and Intangible Assets

The Company's reporting units and related indefinite-lived intangibles are tested annually on the first day of the fourth quarter of each fiscal year to determine whether their carrying value exceeds their fair value. Goodwill and other indefinite-lived intangible assets are also tested for impairment on an interim basis if an event occurs or circumstances change between annual tests that would indicate that impairment exists. Impairment losses, if any, are reflected in operating income or loss in the Consolidated Statements of Income (Loss). The Company's reporting units consist of each of its publications and other consolidated subsidiaries.

The Company reviews finite-lived intangible assets for impairment whenever an event occurs or circumstances change which indicates that the carrying amount of such assets may not be fully recoverable. Determination of recoverability is based on an estimate of undiscounted future cash flows resulting from the use of the asset and its eventual disposition. Measurement of an impairment loss is based on the fair value of the asset compared to its carrying value. Impairment losses, if any, are reflected in operating income or loss in the Consolidated Statements of Income (Loss).

In assessing goodwill and intangible assets for impairment, the Company makes estimates of fair value which are based on its projection of revenues, operating costs, and cash flows of each reporting unit considering historical and anticipated future results, general economic and market conditions, as well as the impact of planned business or operational strategies. The valuations employ a combination of present value techniques to measure fair value and consider market factors. Changes in the Company's judgments and projections could result in a significantly different estimate of the fair value of the reporting units and could result in an impairment of goodwill or other intangible assets. For a detailed description of impairment charges, see Note 2, "Goodwill and Other Identified Intangible Assets."

Accrued Expenses and Other Liabilities

Accrued expenses and other liabilities are comprised of the following at March 31 (in thousands):

	2010	2009
Retail display pockets and allowances	$ 6,536	$ 11,771
Income and other taxes (1)	7,479	9,476
Personnel and related costs	5,948	8,643
Rack costs	3,971	4,113
Mr. Olympia, LLC (see Note 10)	4,200	4,500
Production costs	2,795	1,940
Reserve for wholesaler claims	-	2,700
Other	7,626	8,653
Accrued expenses and other liabilities - current	38,555	51,796
Other non-current liabilities (2)	9,083	6,174
Accrued expenses and other liabilities - non-current	9,083	6,174
Total accrued expenses and other liabilities - current and non-current	$ 47,638	$ 57,970

(1) The Company has accrued $2.6 million and $2.9 million for contingent liabilities for non-income related taxes at March 31, 2010 and 2009, respectively.

(2) Other non-current liabilities primarily consist of deferred amendment fees (the "Deferred Fees") accrued as of the effective date of the Restructuring and related accrued interest. The Company will pay (a) the Deferred Fees (including all accrued interest thereon) in cash on the Company's $60.0 million revolving credit facility under the 2009 Credit Agreement (the "Revolving Facility") maturity date (or any such earlier date as the Revolving Facility terminates), and (b) the Deferred Fees (including all accrued interest thereon) in cash on the $450.0 million term loan under the 2009 Credit Agreement (the "Term Facility") maturity date (or any such earlier date as the Term Facility is repaid in full); provided that all Deferred Fees (including all accrued interest thereon) will be due and payable in cash at the time that any prepayment of the Term Facility is required pursuant to the 2009 Credit Agreement in respect of any fiscal year in which Excess Cash Flow (as defined in the 2009 Credit Agreement) exceeds $27.5 million. The Company does not expect to achieve Excess Cash Flow of $27.5 million or higher within the next twelve months, and therefore classified these fees as non-current liabilities. See Note 6, "Credit Agreement," for further details.

Deferred Revenues

Deferred revenues are comprised of the following at March 31 (in thousands):

	2010	2009
Subscriptions	$ 35,723	$ 36,928
Advertising	940	622
Other	266	192
Total deferred revenues	$ 36,929	$ 37,742

Income Taxes

Income taxes are accounted for using the asset and liability method. Deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The asset and liability method of accounting for deferred income taxes requires a valuation against deferred tax assets, if based on the weight of available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. The effect on any changes in deferred tax assets and liabilities as a result of a change in tax rates is recognized in income. All tax positions taken by the Company in its income tax returns that are recognized in the financial statements must satisfy a more-likely-than-not threshold.

The Company reports the penalties and tax-related interest expense as a component of income tax expense in its Consolidated Statement of Income (Loss). See Note 5, "Income Taxes."

Accumulated Other Comprehensive Income

Accumulated other comprehensive income consists of cumulative foreign currency translation adjustments.

Translation of Non-U.S. Currency Amounts

The net assets and operations of entities outside of the United States are translated into U.S. dollars. Assets and liabilities are translated at fiscal year-end exchange rates and income and expense items are translated at average exchange rates prevailing during the year. Translation adjustments are included in accumulated other comprehensive income. Gains and losses arising from intercompany foreign currency transactions that are of a long-term investment nature are reported in the same manner as translation adjustments.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Contingent Liabilities

The Company has certain contingent liabilities that arise in the ordinary course of its business activities. The Company accrues for contingent liabilities when it is probable that future expenditures will be made and such expenditures can be reasonably estimated. Reserves for contingent liabilities are reflected in the Company's Consolidated Financial Statements based on management's assessment, along with legal counsel, of the expected outcome of the contingencies. If the final outcome of the contingencies differs from that currently expected, it would result in a change to earnings in the period determined. See Note 11, "Commitments and Contingencies – Litigation," for a description of litigation.

Subsequent Events

The Company has evaluated all subsequent events through June 9, 2010, which is the date this Annual Report was available to be issued.

Recent Accounting Pronouncements

In September 2006, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 157, "*Fair Value Measurements*" ("SFAS No. 157"), which enhances existing guidance for measuring assets and liabilities at fair value. SFAS No. 157 defines fair value, establishes a framework for measuring fair value and expands disclosure about fair value measurements. The provisions of SFAS No. 157 were effective on April 1, 2008. The adoption of this statement did not have a material impact on the Company's results of operations, financial position, cash flows or disclosures. In February 2008, the FASB issued FASB Staff Position No. 157-2, which delays the effective date of SFAS No. 157 for non-financial assets and liabilities to fiscal years beginning after November 15, 2008. SFAS 157 and FASB Staff Position No. 157-2 were codified under the Fair Value Measurements and Disclosures Topic of the FASB Accounting Standards Codification ("ASC") (the Fair Value Measurements and Disclosures Topic). The adoption of this standard did not have a significant impact on the Company's results of operation, financial position, cash flows and disclosures.

In June 2009, the FASB issued new authoritative guidance under ASC Topic 810, "*Consolidation*", previously FASB Interpretation No. 46-R ("ASC 810"), "*Consolidation of Variable Interest Entities — An Interpretation of ARB No. 51.*" This new guidance under ASC 810 amends certain requirements of FASB Interpretation No. 46 (revised December 2003), "*Consolidation of Variable Interest Entities*", to improve financial reporting by enterprises involved with variable interest entities and to provide more relevant and reliable information to users of financial statements. The provisions of this new guidance are effective as of the beginning of each reporting entity's first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period, and for interim and annual reporting periods thereafter. Earlier application is prohibited. The Company currently is assessing the impact of the adoption of this new guidance on its results of operations, financial position, cash flows and disclosures.

In August 2009, the FASB issued Accounting Standards Update ("ASU") No. 2009–05, "*Measuring Liabilities at Fair Value*" ("ASU 2009–05"). ASU 2009–05 amends ASC Topic 820, "*Fair Value Measurements and Disclosures*" ("ASC 820"), previously SFAS No. 157, "*Fair Value Measurements*", by providing clarification that in circumstances in which a quoted price in an active market for the identical liability is not available, a reporting entity is required to measure fair value using one or more of the following methods: (i) a valuation technique that uses the quoted price of the identical liability when traded as an asset or quoted prices for similar liabilities, or similar liabilities when traded as assets, or (ii) a valuation technique that is consistent with the principles of ASC 820 (i.e., income approach or market approach). ASU 2009–05 also clarifies that when estimating the fair value of a liability, a reporting entity is not required to include inputs relating to the existence of transfer restrictions on that liability. The provisions of this new guidance are effective for the first reporting period after issuance. The adoption of this standard did not have any impact on the Company's results of operation, financial position, cash flows and disclosures.

In October 2009, the FASB issued ASU No. 2009–13, "*Multiple–Deliverable Revenue Arrangements*" ("ASU 2009–13"). ASU 2009–13 amends existing revenue recognition accounting pronouncements that are currently within the scope of FASB ASC Subtopic 605-25. The consensus in Emerging Issues Task Force Issue No. 08–1, "*Revenue Arrangements with Multiple Deliverables*", provides accounting principles and application guidance on whether multiple deliverables exist, how the arrangement should be separated, and the consideration allocated. This guidance eliminates the requirement to establish the fair value of undelivered products and services and also eliminates the residual method of allocating arrangement consideration. The new guidance provides for separate revenue recognition based upon management's estimate of the selling price for an undelivered item when there is no other means to determine the fair value of that undelivered item. Under the previous guidance, if the fair value of all of the elements in the arrangement was not determinable, then revenue was deferred until all of the items were delivered or fair value was determined. This new approach is effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010. The Company is currently assessing the impact of the adoption of this new guidance on its results of operations, financial position, cash flows and disclosures.

(2) Goodwill and Other Identified Intangible Assets

As of March 31, 2010 and 2009, the Company had goodwill with carrying values of $230.9 million and $245.4 million, respectively. Other identified intangible assets not subject to amortization had a carrying value of $255.3 million and $258.4

million as of March 31, 2010 and 2009, respectively, and consist of trade names with indefinite lives.

Identified intangible assets with finite lives subject to amortization consist of the following at March 31 (in thousands):

		2010			2009		
	Range of Lives	Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
Tradenames (a)	8 - 27	$ 10,610	$ (3,192)	$ 7,418	$ 14,186	$ (6,325)	$ 7,861
Covenants not to compete (a) (b)	5 - 10	12,500	(12,500)	-	21,571	(20,842)	729
Subscriber lists (a)(c)	3 - 15	32,682	(23,785)	8,897	60,361	(49,286)	11,075
Non-subscriber customer relationships (d)	8	-	-	-	6,913	(6,913)	-
		$ 55,792	$ (39,477)	$ 16,315	$ 103,031	$ (83,366)	$ 19,665

(a) During fiscal year 2010, the Company removed $5.8 million, $9.1 million, $27.7 million, $6.9 million and $7.7 million of fully amortized tradenames, covenants not to compete, non-subscriber lists, subscriber lists and advertising relationships, respectively, along with their respective accumulated amortization, from its books. Non-subscriber customer relationships had a zero net carrying value as of March 31, 2010.
(b) During the third quarter of fiscal year 2009, the Company wrote off $0.5 million and $0.4 million of covenants not to compete related to the Women's Health and Fitness Publications and Corporate/Other segments, respectively, based on its impairment test.
(c) During the third quarter of fiscal year 2009, the Company wrote off $5.7 million of subscriber lists related to the Celebrity Publications segment based on its impairment test.
(d) During the third quarter of fiscal year 2009, the Company wrote off $1.5 million and $1.1 million of customer relationships related to the Women's Health and Fitness Publications and Corporate/Other segments, respectively, based on its impairment test.

Amortization expense of intangible assets for fiscal years 2010, 2009 and 2008 was $3.4 million, $6.6 million and $8.4 million, respectively. Based on the carrying value of identified intangible assets recorded at March 31, 2010, and assuming no subsequent impairment of the underlying assets, the annual amortization expense is expected to be as follows (in thousands):

Fiscal Year	Amortization Expense
2011	2,622
2012	2,622
2013	2,622
2014	2,622
2015	2,622
Thereafter	3,205
	$ 16,315

Impairment Charges

As a result of the Company’s impairment testing, non-cash impairment charges for fiscal years 2010, 2009 and 2008 by reportable segment are as follows (in thousands):

	Celebrity Publications	Tabloid Publications	Health and Fitness Publications	Corporate/ Other	Total
Fiscal 2010 Impairments					
Tradenames	$ -	$ -	$ 3,032	$ -	$ 3,032
Goodwill	-	-	14,563	-	14,563
Provision for impairment of intangible assets and goodwill	$ -	$ -	$ 17,595	$ -	$ 17,595
Fiscal 2009 Impairments					
Tradenames	$ 42,193	$ 31,930	$ 13,019	$ 6,778	$ 93,920
Goodwill	15,182	51,317	47,021	695	114,215
Other Identified Intangibles	5,697	-	1,981	1,537	9,215
Provision for impairment of intangible assets and goodwill	$ 63,072	$ 83,247	$ 62,021	$ 9,010	$ 217,350
Fiscal 2008 Impairments					
Tradenames	$ 3,216	$ -	$ -	$ -	$ 3,216
Goodwill	8,173	-	-	19,627	27,800
Other Identified Intangibles	81	-	-	-	81
Provision for impairment of intangible assets and goodwill	$ 11,470	$ -	$ -	$ 19,627	$ 31,097

The Company recorded the fiscal year 2010 non-cash impairment charges detailed above in the first fiscal quarter ended June 30, 2009. The non-cash impairment charges were primarily the result of a change in management's expectations of long-term cash flows resulting from declining profitability in certain of the Company's reporting units.

The Company recorded the fiscal year 2009 non-cash impairment charges detailed above in the third fiscal quarter ended December 31, 2008, and adjusted the goodwill impairment for certain publications during the fourth fiscal quarter ended March 31, 2009, based upon finalizing its impairment test. These non-cash impairment charges were recorded as a result of the continued decline in profitability in certain of the Company's reporting units during the fiscal quarters in which the impairment charges were recorded. The non-cash impairment charges were primarily the result of a change in management's expectations of cash flows resulting from declining profitability in fiscal year 2009 as a result of the continued overall market weakness due to the current economic slowdown.

The Company recorded the fiscal year 2008 non-cash impairment charges detailed above in the fourth fiscal quarter ended March 31, 2008, as a result of the continued decline in profitability in certain of the Company's reporting units during the fiscal quarters in which the impairment charges were recorded. The non-cash impairment charges were primarily the result of a change in management's expectations of long-term cash flows resulting from declining profitability in fiscal year 2008.

Impairment Charge Assumptions

The estimate of fair value of the Company's tradename and goodwill reporting units was based on the Company's projection of revenues, operating costs, and cash flows considering historical and anticipated future results, general economic and market conditions as well as the impact of planned business and operational strategies. The valuation employed a combination of present value techniques to measure fair value and considered market factors. The key assumptions used to determine the fair value of the Company's tradename and goodwill reporting units during the fiscal years 2010, 2009 and 2008 impairment tests were:

a) expected cash flow periods of five years;
b) terminal values based upon terminal growth rates ranging from:
   - 0% to 4% for fiscal year 2010;
   - 0% to 4% for fiscal year 2009; and
   - 1.5% to 4% for fiscal year 2008;
c) implied multiples used in the business enterprise value income and market approaches ranging from:
   - 4.1 to 9.5 for fiscal year 2010;
   - 3.5 to 7.4 for fiscal year 2009; and
   - 0.0 to 8.0 for fiscal year 2008;

d) discount rates ranging from 12.0% to 15.0% which were based on the Company's best estimate of the weighted-average cost of capital adjusted for risks associated with the reporting units for each of fiscal years 2010, 2009 and 2008, respectively.

Management believes the rates used are consistent with the risks inherent in the Company's current business model and with industry discount rates. Changes in management's judgments and estimates could result in a significantly different estimate of the fair value of the reporting units and could result in a change in the impairment of tradenames and goodwill. A variance in the assumptions used could have had a significant impact on the amount of tradename and goodwill impairment charges recorded. For example:

a) a 100 basis point change in the discount rate would have caused an increase or decrease in the existing tradename impairment charges recognized by approximately $2.7 million, $16.1 million and $0 in fiscal years 2010, 2009 and 2008, respectively;
b) a 100 basis point change in the discount rate would have changed the estimated fair value of tradenames in the Company's other reporting units and may have caused those reporting units to incur tradename impairment charges in each of fiscal years 2010, 2009 and 2008, respectively;
c) a 5% decrease in the enterprise value may have caused goodwill impairment of no other publications in fiscal year 2010, one other publication in fiscal year 2009, and no other publications in fiscal year 2008; and
d) a 5% increase in enterprise value would:
   - have reduced the goodwill impairment charge to the Women's Health and Fitness Publications segment by $2.8 million in fiscal year 2010;
   - have caused no goodwill impairment charge to the Celebrity Publications segment and would have reduced the goodwill impairment charges in the other reportable segments by $12.4 million in fiscal year 2009; and
   - have reduced the goodwill impairment charge to the Corporate/Other segment by $1.1 million, but would not have reduced the goodwill impairment charge in the Celebrity Publications segment in fiscal year 2008.

The gross carrying amount and accumulated impairment losses of goodwill by reportable segment are as follows (in thousands):

	Celebrity Publications	Tabloid Publications	Women's Health and Fitness Publications	Corporate/ Other	Total
Balances as of March 31, 2008					
Goodwill	$ 179,937	$ 241,570	$ 83,649	$ 137,340	$ 642,496
Accumulated impairment losses	(94,064)	(97,579)	-	(91,190)	(282,833)
Goodwill, net of impairment losses	85,873	143,991	83,649	46,150	359,663
Impairment charges in fiscal year 2009	(15,182)	(51,317)	(47,021)	(695)	(114,215)
Balance as of March 31, 2009					
Goodwill	$ 179,937	$ 241,570	$ 83,649	$ 137,340	$ 642,496
Accumulated impairment losses	(109,246)	(148,896)	(47,021)	(91,885)	(397,048)
Goodwill, net of impairment losses	70,691	92,674	36,628	45,455	245,448
Impairment charges in fiscal year 2010	-	-	(14,563)	-	(14,563)
Balance as of March 31, 2010					
Goodwill	$ 179,937	$ 241,570	$ 83,649	$ 137,340	$ 642,496
Accumulated impairment losses	(109,246)	(148,896)	(61,584)	(91,885)	(411,611)
Goodwill, net of impairment losses	70,691	92,674	22,065	45,455	230,885

(3) Discontinued Operations

During the second quarter of fiscal year 2008 the Company discontinued the publication of *Weekly World News* and subsequently sold it in fiscal year 2009. Operating results of this publication have been classified as discontinued operations for all periods presented. This publication was previously included in the Corporate/Other segment.

The following table sets forth total operating revenues, pre-tax income (loss) from discontinued operations, income taxes and income (loss) from discontinued operations for fiscal years 2010, 2009 and 2008, respectively (in thousands):

	2010	2009	2008
Total operating revenues	$ -	$ -	$ 932
Pre-tax income (loss) from discontinued operations	$ -	$ 500	$ (685)
Income taxes	-	-	-
Income (loss) from discontinued operations	$ -	$ 500 (a)	$ (685)

(a) Represents a gain on the proceeds form the sale of *Weekly World News*.

(4) Fair Value of Financial Instruments

The fair value of the Company's financial instruments is estimated based on the most recent quoted market prices for the same or similar issues. The estimated fair value of the Company's financial instruments is as follows at March 31 (in thousands):

	2010		2009	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Term loan	$ 432,871	$ 418,153	$ 437,371	$ 215,755
Revolving credit facility	21,000	19,163	50,000	23,750
2009 Notes	- (b)	-	14,025 (a)	4,488 (b)
2011 Notes	7,502 (a)	7,216	7,502 (a)	2,701
Senior Subordinated Notes	332,051 (c)	215,833	299,722 (c)	150,236
Senior PIK Notes	22,701 (c)	14,756	21,240 (c)	10,647

(a) Amount does not include the bond premium or bond discount.
(b) The Company retired the outstanding $14.0 million of 2009 Notes on May 1, 2009.
(c) Amounts do not include future interest reflected in the carrying amount of our senior subordinated notes in the accompanying Consolidated Balance Sheets.

FASB ASC Topic 820, "*Fair Value Measurements and Disclosures*" ("ASC 820"), (previously SFAS No. 157, "*Fair Value Measurements*"), established a three-tier fair value hierarchy, which prioritizes the use of inputs used in measuring fair value as follows:

Level 1 Observable inputs such as quoted prices in active markets for identical assets and liabilities;
Level 2 Inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and
Level 3 Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

As of March 31, 2010 and March 31, 2009, the Company did not have financial assets or liabilities that would require measurement on a recurring basis based on the guidance in ASC 820. The carrying amount for cash and cash equivalents, accounts receivable, accounts payable and accrued expenses approximates fair value due to the short maturity of these items.

In addition to financial assets and liabilities that are recorded at fair value on a recurring basis, the Company is required to record non-financial assets and liabilities at fair value on a nonrecurring basis. During the fiscal year ended March 31, 2010, certain assets were recorded at fair value on a nonrecurring basis as a result of a non-cash impairment charge relating to its goodwill and tradenames. In accordance with ASC 350 (previously SFAS No. 142), the Company recorded a provision for impairment of intangible assets and goodwill of approximately $17.6 million for the Women's Health and Fitness Publications segment during the fiscal year ended March 31, 2010.

The following table reflects the fair values measurement of certain assets measured at fair value on a non-recurring basis (in thousands):

		Fair Value Measurements Using			
	March 31, 2010	Level 1	Level 2	Level 3	Impairment Recognized in Earnings
Goodwill	$ 230,885	$ -	$ -	$ 230,885	$ 14,563
Tradenames	255,320	-	-	255,320	3,032
					$ 17,595

In accordance with ASC 350, goodwill and tradenames with carrying amounts of $245.4 million and $258.4 million, respectively, were written down to their implied value of $230.9 million and $255.3 million, respectively, resulting in a non-cash impairment charge of $17.6 million during the fiscal year ended March 31, 2010. For a detailed description of this impairment charge, including the methods used to determine the fair value of the Company's goodwill and other intangible assets, see Note 2, "Goodwill and Other Identified Intangible Assets."

(5) Income Taxes

The Company files a consolidated Federal income tax return with Media and calculates the Company's income tax on a separate return basis. The (benefit) provision for income taxes from continuing operations consists of the following (in thousands):

	Fiscal Year Ended March 31,		
	2010	2009	2008
Current:			
Federal	$ (917)	$ (2,122)	$ 262
State	559	(909)	(229)
Foreign	841	902	761
Total current provision (benefit)	483	(2,129)	794
Deferred:			
Federal	19,630	(28,808)	4,192
State	2,643	(2,402)	(1,687)
Foreign	-	-	(15)
Total deferred (benefit) provision	22,273	(31,210)	2,490
Provision (benefit) for income taxes	$ 22,756	$ (33,339)	$ 3,284

A reconciliation of the federal statutory tax rate with the Company's effective tax rate is as follows:

	Fiscal Year Ended March 31,		
	2010	2009	2008
U.S. statutory tax rate	35.0 %	35.0 %	35.0 %
State income taxes, net of federal benefit	(1.5)	(0.6)	2.1
Meals and entertainment	1.1	(0.2)	(0.9)
Goodwill impairment	-	(10.7)	(4.2)
Valuation allowance on deferred tax assets	(80.9)	(25.8)	(37.9)
Debt restructuring	131.5	17.7	-
Other, net	0.7	-	0.2
Effective tax rate	85.9 %	15.4 %	(5.7) %

The tax effected net deferred tax assets and liabilities are comprised of the following at March 31 (in thousands):

	2010	2009
Deferred Income Tax Assets - Current		
Reserves and accruals	$ 3,239	$ 2,981
Revenue recognition	1,307	1,344
Inventory	13	13
Senior subordinated notes	11,850	5,770
Other current deferred tax assets	692	744
Gross deferred income tax assets - current	17,101	10,852
Valuation allowance	(15,894)	(10,221)
Deferred income tax assets - current	$ 1,207	$ 631
Deferred Income Tax Liabilities - Current		
Circulation expenses	$ (2,653)	$ (3,366)
Other current deferred tax liabilities	(1,916)	(2,712)
Deferred income tax liabilities - current	$ (4,569)	$ (6,078)
Net deferred income tax liabilities - current	$ (3,362)	$ (5,447)
Deferred Income Tax Assets - Non-Current		
Net operating losses	$ 21,248	$ 9,046
Senior subordinated notes	98,257	123,471
Goodwill and other intangibles	3,620	22,597
Other non-current deferred tax assets	10,926	10,732
Gross deferred income tax assets - non-current	134,051	165,846
Valuation allowance	(119,963)	(147,900)
Deferred income tax assets - non-current	$ 14,088	$ 17,946
Deferred Income Tax Liabilities - Non-Current		
Goodwill and other intangibles	$ (91,940)	$ (70,289)
Circulation expenses	(3,497)	(4,959)
Property and equipment	(469)	(239)
Other non-current deferred tax liabilities	(917)	(835)
Deferred income tax liabilities - non-current	$ (96,823)	$ (76,322)
Net deferred income tax liabilities - non-current	$ (82,735)	$ (58,376)

The net deferred income tax liabilities – current of $3.4 million and $5.4 million as of March 31, 2010 and 2009, respectively, are included in accrued expenses and other liabilities in the accompanying Consolidated Balance Sheets. The net deferred income tax liabilities – non-current of $82.7 million and $58.4 million as of March 31, 2010 and 2009, respectively, are included in deferred income taxes in the accompanying Consolidated Balance Sheets.

At March 31, 2010 and 2009, the Company had gross U.S. federal and state net operating loss carryforwards as follows (in thousands):

	2010	2009
Federal	$ 52,141	$ 18,260
State	57,490	11,167

The federal net operating loss carryforwards at March 31, 2010 expire beginning in 2028 through 2030. The state net operating loss carryforwards at March 31, 2010 expire beginning in 2011 through 2030.

As of March 31, 2009, the Company recognized taxable cancellation of indebtedness income and utilized a significant portion of previously valued net operating loss carry-forwards. In addition, pursuant to Internal Revenue Code ("IRC") Section 108, a portion of the discharge of indebtedness income was not taxable. The amount excluded from taxable income was applied to reduce certain tax attributes, including the tax basis of depreciable and amortizable assets. As a result of the Tendering Bondholders acquiring 94.9% of Media's Common Stock, the Company underwent an ownership change under Internal Revenue Code Section 382 ("Section 382"). Since the majority of the Company's pre-acquisition net operating losses were reduced as a result of attribute reduction, only $19.4 million of net operating losses remain subject to the consolidated net operating loss Section 382 limitation.

As of December 31, 2009, the Company recorded a change in estimated income taxes due to the filing of its federal income tax return for the fiscal year ended March 31, 2009 wherein the Company elected, under IRC Section 108(b)(5), to apply a portion of the debt discharge amount to first reduce the basis of depreciable and amortizable assets. The election resulted in additional tax expense of $24.8 million due to the reduction of basis on the Company's indefinite lived intangible assets, which are deferred tax liabilities and could not be used as a future source of income to support the realization of the Company's previously valued deferred tax assets.

The asset and liability method of accounting for deferred income taxes requires a valuation allowance against deferred tax assets if, based on the weight of available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. The Company's valuation allowance related to its deferred tax assets, which was $158.1 million at March 31, 2009, was decreased by $22.3 million to $135.8 million at March 31, 2010. The valuation allowance reserves all deferred tax assets that will not be offset by reversing taxable temporary differences. The Company intends to maintain a valuation allowance until sufficient positive evidence exists to support its reversal.

The valuation allowance was provided against the portion of the net deferred tax assets not offset by the deferred tax liability for indefinite-lived intangibles. The Company's deferred tax liabilities related to indefinite-lived intangibles are not considered a future source of income to support the realization of deferred tax assets within the net operating loss carryforward period.

As of March 31, 2010 and 2009, the Company's accrued liabilities for uncertain tax positions related to federal and state income taxes, including interest and penalties, amounted to $1.2 million and $1.2 million, respectively, and were included in accrued expenses and other liabilities in the accompanying Consolidated Balance Sheets.

On April 1, 2007, the Company recognized a $10.2 million increase in the liability for unrecognized tax benefits, as well as accrued interest and penalties amounted to approximately $1.1 million and $0.1 million, respectively. These items were accounted for as an increase of the April 1, 2007 balance of accumulated deficit.

The total amount of unrecognized tax benefits as of March 31, 2009 was $3.8 million. Approximately $3.8 million of this amount would, if recognized, have an effect on the effective income tax rate. In addition to the unrecognized tax benefits, the Company released interest of $0.3 million and recognized $0.1 million of penalty expense for fiscal year 2009 and had accrued interest and penalties of $0.9 million and $0.2 million, respectively, as of March 31, 2009.

The total amount of unrecognized tax benefits as of March 31, 2010 was $3.6 million. Approximately $3.6 million of this amount would, if recognized, have an effect on the effective income tax rate. In addition to the unrecognized tax benefits, the Company recognized no net interest expense and no penalty expense for fiscal year 2010 and had accrued interest and penalties of $0.9 million and $0.2 million, respectively, as of March 31, 2010.

The reduction of unrecognized tax benefits in fiscal year 2009 primarily relates to settlements with taxing authorities that will result in refunds of federal income taxes previously paid. Accordingly, the Company has recorded a receivable of $1.2 million as of March 31, 2009. In addition, as a result of the Worker, Homeownership, and Business Assistance Act of 2009 amendment to §§ 172(b)(1)(H) and 810(b) of the IRC allowing taxpayers to elect to carry back an applicable net operating loss (NOL) for a period of 3, 4, or 5 years, to offset taxable income in those preceding taxable years, the Company will receive additional refunds of federal income taxes previously paid. The Company recorded an additional receivable of $1.8 million, resulting in a receivable of $3.0 million as of March 31, 2010 which was included in prepaid expenses and other current assets in the accompanying Consolidated Balance Sheets.

The Company has identified its "major" tax jurisdictions to include the U.S. government, and the states of California, Florida and New York. In January 2008, the Company received notice that the Joint Committee on Taxation has accepted the Internal Revenue Service examination of its fiscal 2004 federal tax return and has taken no exception to the Company's carryback of its fiscal years 2005 and 2006 net operating losses to prior years. The Company's federal tax returns subject to examination are those filed for the fiscal years ended 2003 and 2005 through 2008. The Company's fiscal years ended 2003 through 2008 federal tax returns remain open by statute. The Company's major state tax jurisdictions subject to examination are the fiscal years ended 2003 through 2009.

While it is reasonably possible that the Company's unrecognized tax benefits could change, an estimate of such an increase or decrease is not possible.

A reconciliation of the change in the unrecognized tax benefits from April 1, 2008 to March 31, 2010 is as follows (in thousands):

	Unrecognized Income Tax Benefits
Balance at April 1, 2008	$ 8,337
Increases for tax positions taken during a prior period	81
Decreases for tax positions taken during a prior period	(479)
Increases for tax positions taken during the current period	1,514
Decreases relating to settlements	(5,434)
Decreases resulting from the expiration of the statute of limitations	(230)
Balance at March 31, 2009	3,789
Increases for tax positions taken during a prior period	130
Decreases for tax positions taken during a prior period	(17)
Increases for tax positions taken during the current period	13
Decreases for tax positions taken during the current period	(344)
Decreases relating to settlements	(12)
Balance at March 31, 2010	$ 3,559

(6) Credit Agreement

On January 30, 2006, the Company entered into the 2006 Credit Agreement, which replaced its then existing credit agreement dated as of January 23, 2003. On December 31, 2008, the Company entered into the 2009 Credit Agreement, which replaced the 2006 Credit Agreement. The 2009 Credit Agreement became effective on January 30, 2009 (the "Effective Date"), concurrently with the consummation of the Company's cash tender offers. The 2009 Credit Agreement includes the $60.0 million Revolving Facility and the $450.0 million Term Facility. The Revolving Facility matures in January 2012 and the Term Facility matures in January 2013.

During fiscal year 2010, the Company made required quarterly principal payments aggregating $4.5 million on the 2009 Credit Agreement Term Facility. The Company paid down $35.0 million and borrowed $6 million on its Revolving Facility during fiscal year 2010. The balance of the Term Facility and Revolving Facility under the 2009 Credit Agreement was $432.9 million and $21.0 million, respectively, on March 31, 2010. The Revolving Facility had $39.0 million available to be borrowed as of March 31, 2010. The 2009 Credit Agreement requires, and the 2006 Credit Agreement required, the Company to pay a commitment fee of 1% and 1/2%, respectively, of the unused portion of the revolving commitment. There were no commitment fee payments in fiscal year 2008, as the revolving commitment under the 2006 Credit Agreement was fully drawn during the entire fiscal year. Commitment fee payments under the 2006 Credit Agreement and 2009 Credit Agreement were insignificant during fiscal year 2009 as the revolving commitments on the 2006 Credit Agreement and 2009 Credit Agreement were fully drawn during the entire fiscal year 2009 with the exception of a few days. There were $185,000 of commitment fee payments under the 2009 Credit Agreement in fiscal year 2010.

The effective interest rate under the 2009 Credit Agreement, including amounts borrowed under the Term Facility and Revolving Facility, as of March 31, 2010 and 2009, was 10.0%. The effective weighted-average interest rate under the 2006 Credit Agreement for fiscal year 2008 was 8.5%. The effective weighted-average interest rate under the 2009 Credit Agreement and 2006 Credit Agreement for fiscal year 2010 and 2009 was 10% and 7.1%, respectively. The decrease in the effective weighted-average interest rate between fiscal years 2008 and 2009 is tied to the decrease in the London interbank offering rate ("LIBOR"). The increase in the effective weighted-average interest rate between fiscal years 2010 and 2009 is

due to the Company being required to: (i) pay a margin of 6.5% on all loans based on LIBOR under the 2009 Credit Agreement as compared to a margin of 3.5% on all loans based on LIBOR ("LIBOR Loans") under the 2006 Credit Agreement, and (ii) being subject to a floor equal to 3.5% on all LIBOR Loans under the 2009 Credit Agreement.

On January 7, 2009, the Company and Media entered into a forbearance agreement with lenders representing a majority of outstanding amounts and commitments under the 2006 Credit Agreement and the administrative agent under the 2006 Credit Agreement, pursuant to which such lenders and the administrative agent agreed, subject to certain termination events, to forbear until the earliest of (i) February 4, 2009, (ii) the date on which any of the Prior Notes became or were declared to be due and payable and (iii) the commencement of an insolvency proceeding with respect to the Company, Media or any of their subsidiaries, from exercising any rights and remedies under the 2006 Credit Agreement as a result of the Company's failure (a) to pay the interest payment due on the 2009 Notes on November 1, 2008, (b) to comply with the reporting requirements in the 2006 Credit Agreement, (c) to comply with the corresponding reporting requirements in the indentures governing the Prior Notes and (d) to comply with the requirements of the indentures governing the Prior Notes in connection with its failure to meet a specified leverage ratio. The forbearance agreement ended on January 30, 2009 when we successfully completed our cash tender offers and consent solicitations with respect to the Prior Notes.

Under the 2009 Credit Agreement, the Company has the option to pay interest based on a floating base rate option equal to the greater of the JPMorgan Chase Bank, N.A. ("JPMorgan") prime rate or the federal funds effective rate plus 0.5% ("base rate loans") (subject to a floor equal to 4.50%) or based on LIBOR Loans, in each case plus a margin. The margin on all base rate loans is 5.5% and the margin on all LIBOR Loans is 6.5%. The Company is required to repay $1.1 million of principal on its term loans on a quarterly basis. In addition, the Company is required to make Excess Cash Flow payments (as defined in the 2009 Credit Agreement), which will be applied to the then outstanding term loans. Excess Cash Flow payments are due no later than 90 days after the end of the fiscal year. The Company does not expect to be required to make a fiscal year 2010 Excess Cash Flow payment (as defined in the 2009 Credit Agreement). As of March 31, 2010, the Company's borrowings under the Term Facility and Revolving Facility were based on the JPMorgan prime rate.

Under the 2006 Credit Agreement, the Company had the option to pay interest based on a floating base rate option equal to the greater of the JPMorgan prime rate or the federal funds effective rate plus 0.5% or based on LIBOR, in each case plus a margin. The margin on all base rate borrowings was 2.5% and the margin on all LIBOR borrowings was 3.5% if the Company's corporate ratings were below Caa1 or CCC+. Otherwise, the margins under the term loan commitment were 2.25% for base rate borrowings and 3.25% for LIBOR borrowings, and the margins under the revolving commitment were based on the Company's leverage ratio and ranged from 0.75% to 2.25% for base rate borrowings and 1.75% to 3.25% for LIBOR borrowings. The Company was required to repay $1.1 million of principal on its term loan commitment borrowings on a quarterly basis, commencing on June 30, 2008. In addition, the Company was required to make an $8.1 million Excess Cash Flow payment (as defined in the 2006 Credit Agreement) on June 30, 2008, which was applied to the then outstanding term loans.

The 2009 Credit Agreement includes certain representations and warranties, conditions precedent, affirmative covenants, negative covenants and events of default customary for agreements of this type. The negative covenants include financial maintenance covenants comprised of a leverage ratio, a senior secured leverage ratio, a consolidated interest expense coverage ratio, and capital expenditure limits. The 2009 Credit Agreement also contains certain covenants that, subject to certain exceptions, restrict paying dividends, incurring additional indebtedness, creating liens, making acquisitions or other investments, entering into certain mergers or consolidations and selling or otherwise disposing of assets. The 2009 Credit Agreement includes a broadening of the circumstances that would give rise to prepayment of the loans and the introduction of more restrictive covenants, particularly relating to indebtedness, investments, restricted payments and capital expenditures. As of March 31, 2010, the Company is in compliance with all financial covenants under the 2009 Credit Agreement.

Although there can be no assurances, management anticipates that, based on current projections (including projected borrowings and repayments under the Revolving Facility), its operating results for fiscal year 2011 will be sufficient to satisfy the financial covenants under the 2009 Credit Agreement. The Company's ability to satisfy such financial covenants is dependent on its business performing in accordance with its projections. If the performance of the Company's business deviates from its projections, the Company may not be able to satisfy such financial covenants, including the senior secured leverage ratio. The Company's projections are subject to a number of factors, many of which are events beyond its control, which could cause the Company's actual results to differ materially from its projections. If the Company does not comply with these or other covenants and restrictions contained in the 2009 Credit Agreement, the Company could default under the 2009 Credit Agreement. The outstanding debt under the 2009 Credit Agreement could then be declared immediately due and payable. Moreover, the instruments governing almost all of the Company's other debt contain cross-acceleration provisions so that an acceleration under any of the Company's debt may result in a default under the Company's other debt. If a cross-acceleration occurs, the maturity of the Company's other debt could be accelerated and become immediately due and payable.

The indebtedness under the 2009 Credit Agreement is guaranteed by Media and the domestic subsidiaries of the Company and is secured by liens on substantially all of the assets of Media, the Company and its domestic subsidiaries. In addition, the Company's obligations are secured by a pledge of all of the issued and outstanding shares of, or other equity interests in, the Company and all of its existing or subsequently acquired or organized domestic subsidiaries and a percentage of the capital stock of, or other equity interests in, certain of its existing or subsequently acquired or organized foreign subsidiaries.

Payments of principal due under the 2009 Credit Agreement for future fiscal years are as follows (in thousands):

Fiscal Year	Principal Amount
2011	$ 4,500
2012	25,500
2013	423,871
2014	-
2015	-
	$ 453,871

(7) Senior Subordinated Indebtedness

On May 7, 1999, the Company issued $250.0 million in aggregate principal amount of the 2009 Notes. On February 14, 2002, the Company issued $150.0 million in aggregate principal amount of the 2009 Notes. On January 23, 2003, the Company issued $150.0 million aggregate principal amount of the 2011 Notes.

The Prior Notes were unconditionally guaranteed, on a senior subordinated basis, by all of the Company's domestic subsidiaries. Prior Note guarantees were joint and several, full and unconditional and general unsecured obligations of the Prior Note guarantors. The Prior Note guarantees were subordinated in right of payment to all existing and future senior debt of the Prior Note guarantors, including the 2006 Credit Agreement, and were also effectively subordinated to all secured obligations of Note guarantors to the extent of the assets securing such obligations, including the 2006 Credit Agreement. Furthermore, the indentures governing the Prior Notes permitted the Prior Note guarantors to incur additional indebtedness, including senior debt, subject to certain limitations. See Note 18, "Supplemental Condensed Consolidating Financial Information."

Under the indentures governing the 2011 Notes, after January 15, 2010, the 2011 Notes are redeemable at par, plus accrued and unpaid interest.

The indentures governing the Prior Notes contained a number of covenants that, among other things, limited the Company's ability and that of its restricted subsidiaries, subject to important exceptions and qualifications, to: borrow money; guarantee other indebtedness; use assets as security in other transactions; pay dividends on stock, redeem stock or redeem subordinated debt; make investments; enter into agreements that restrict the payment of dividends by subsidiaries; sell assets; enter into affiliate transactions; sell capital stock of subsidiaries; enter into new lines of business; and merge or consolidate. In addition, these indentures imposed certain requirements as to future subsidiary guarantors and contained certain customary events of default.

The Company failed to meet a specified leverage ratio of 8:1 as of September 30, 2007, and as a result, the Company issued $20.0 million aggregate principal amount of additional 2009 Notes and 2011 Notes to the existing holders of the Prior Notes (the "December 2007 Issuance"). As of September 30, 2007, the Company recorded a liability at a fair market value of $17.3 million for such Prior Notes. The Company reduced this liability to reflect the fair market value of $17.1 million on December 13, 2007, the issuance date, and a related expense of $17.1 million is reflected for the issuance of the senior subordinated notes in the accompanying Consolidated Statement of Loss for the fiscal year ended March 31, 2008.

We failed to make the required semi-annual interest payment with respect to the 2009 Notes when due on November 1, 2008. Such failure resulted in an event of default pursuant to the terms of the indenture governing the 2009 Notes. We also failed to make the required semi-annual interest payment with respect to the 2011 Notes when due on January 15, 2009. In addition, we failed to file our quarterly report on Form 10-Q for the period ended September 30, 2008 when due on November 14, 2008. We also failed to comply with the requirements of indentures governing the Prior Notes relating to our failure to meet a specified leverage ratio as of September 30, 2008. As a result, we entered into forbearance agreements with existing holders of approximately 81% of the then outstanding aggregate principal amount of 2009 Notes and approximately 69% of the then

outstanding aggregate principal amount of 2011 Notes, pursuant to which such holders agreed to forbear from exercising any remedies under the indentures governing the Prior Notes as a result of our aforementioned failures until we successfully completed our cash tender offers and consent solicitations with respect to the Prior Notes.

On January 29, 2009, the Company executed the following supplemental indentures which eliminated substantially all of the restrictive covenants, certain events of default and other related provisions in the indentures governing the Prior Notes: (i) the Ninth Supplemental Indenture among the Company, the Guarantors named therein and HSBC Bank USA, National Association, as trustee, with respect to the 2009 Notes, and (ii) the Seventh Supplemental Indenture among the Company, the Guarantors named therein and HSBC Bank USA, National Association, as trustee, with respect to the 2011 Notes.

On January 30, 2009, the Company issued: (i) $21.2 million aggregate principal amount of Senior PIK Notes and (ii) $299.7 million aggregate principal amount of Senior Subordinated Notes. Also on January 30, 2009, Media sold 5,688,891 shares of Common Stock (valued at approximately $1.0 million) for an aggregate purchase price of $126.0 million, pursuant to a purchase agreement dated January 29, 2009, among Media, the Company, the other parties named therein and J.P. Morgan Securities Inc. In addition, on January 30, 2009, Media issued 305,520 shares of Common Stock to the Prior Equityholders in exchange for the Common Stock they owned prior to the restructuring.

On January 30, 2009, $400.5 million of the 2009 Notes and $148.0 million of the 2011 Notes were validly tendered and accepted for payment and consents were delivered with respect to the Prior Notes. The cash proceeds received from the Offering, together with the Company's cash on hand, were used to purchase the tendered portion of the Prior Notes in the tender offers and to pay approximately $35.0 million of fees and expenses related to the Offering and the tender offers and consent solicitations.

The Senior PIK Notes are unsecured senior obligations of the Company and are effectively subordinated to all of the Company's existing and future secured debt, including obligations under the 2009 Credit Agreement. The Senior PIK Notes will mature on May 1, 2013. Interest on the Senior PIK Notes will accrue at the rate of 9% per annum based upon the outstanding principal amount. The 2009 Credit Agreement prohibits the payment of cash interest on the Senior PIK Notes.

The Senior Subordinated Notes are unsecured senior subordinated obligations of the Company and are subordinated in right of payment to the Company's existing and future senior debt, including obligations under the 2009 Credit Agreement and the Senior PIK Notes. The Senior Subordinated Notes will mature on November 1, 2013. Interest on the Senior Subordinated Notes will accrue at the rate of 14% per annum based upon the outstanding principal amount of the Senior Subordinated Notes (with (i) 10% per annum payable in cash, (ii) 2% per annum payable, at the Company's option, either in cash or by the issuance of additional Senior Subordinated Notes, and (iii) 2% per annum payable (x) in cash when the Company's Excess Cash Flow for the most recently completed fiscal year ended prior to an interest payment date is greater than $27.5 million and (y) at the Company's option, either in cash or by the issuance of additional Senior Subordinated Notes when the Company's Excess Cash Flow for the most recently completed fiscal year ended prior to an interest payment date is less than or equal to $27.5 million).

The New Notes are unconditionally guaranteed, on a senior subordinated basis, by all of the Company's domestic subsidiaries. The New Notes guarantees are joint and several, full and unconditional and general unsecured obligations of the New Notes guarantors. The New Notes guarantees are subordinated in right of payment to all existing and future senior debt of the New Notes guarantors, including the 2009 Credit Agreement, and are also effectively subordinated to all secured obligations of New Notes guarantors to the extent of the assets securing such obligations, including the 2009 Credit Agreement. Furthermore, the indentures governing the New Notes permit the New Notes guarantors to incur additional indebtedness, including senior debt, subject to certain limitations. See Note 18, "Supplemental Condensed Consolidating Financial Information."

As of the date hereof, the 2009 Credit Agreement does not permit the payment of cash interest on the Senior Subordinated Notes (i) at a rate in excess of 10% per annum when the Company's Excess Cash Flow for the most recently completed fiscal year ended prior to an interest payment date is less than or equal to $27.5 million and (ii) at a rate in excess of 12% per annum when the Company's Excess Cash Flow for the most recently completed fiscal year ended prior to an interest payment date is greater than $27.5 million.

The Company pays interest on the New Notes semi-annually in arrears on May 1 and November 1 of each year, commencing on May 1, 2009. To date, interest with respect to (a) the Senior PIK Notes has been paid entirely by the issuance of additional Senior PIK Notes and (b) the Senior Subordinated Notes has been paid at the rate of 14% per annum in the form of additional Senior Subordinated Notes of $10.6 million on May 1, 2009 and $21.7 million on November 1, 2009.

Pursuant to the Indentures, beneficial owners of the New Notes, who together beneficially owned more than 75% in aggregate principal amount of the outstanding New Notes, consented on behalf of all holders of the New Notes that the $16.6 million interest payment due May 1, 2010 be deferred until June 15, 2010.

Under the Senior PIK Notes Indenture and the Senior Subordinated Notes Indenture, the Company is permitted to redeem some or all of the New Notes, at its option, at redemption prices set forth below.

Year	Percentage
November 1, 2009 to October 31, 2010	102.00%
November 1, 2010 to October 31, 2011	101.00%
November 1, 2011 and thereafter	100.00%

The Indentures contain a number of covenants that, among other things, limit the Company's ability and that of its restricted subsidiaries, subject to important exceptions and qualifications, to: borrow money; guarantee other indebtedness; use assets as security in other transactions; pay dividends on stock, redeem stock or redeem subordinated debt; make investments; enter into agreements that restrict the payment of dividends by subsidiaries; sell assets; enter into affiliate transactions; sell capital stock of subsidiaries; enter into new lines of business; and merge or consolidate. In addition, the Indentures impose certain requirements as to future subsidiary guarantors and contain certain customary events of default.

As of March 31, 2010, the Company's total principal amount of senior subordinated debt was approximately $362.3 million, consisting of $7.5 million principal amount of 2011 Notes, $22.7 million principal amount of Senior PIK Notes and $332.1 million principal amount of Senior Subordinated Notes. The accompanying Consolidated Balance Sheet includes $198.4 million in future interest payments on the New Notes reflected in the carrying amount of our Senior Subordinated Indebtedness.

On May 1, 2009, the Company retired $14.0 million aggregate principal amount of the 2009 Notes then outstanding with cash on hand.

As part of the Restructuring, the Company recorded a gain on extinguishment of debt of $4.9 million in fiscal year 2009. This gain is comprised of $548.5 million of tendered Prior Notes and $38.1 million of forfeited interest on our Prior Notes, less: (i) $320.9 million principal amount of New Notes, (ii) $232.2 million in future interest payments on the New Notes reflected in the carrying amount of the Company's Senior Subordinated Notes in the accompanying Consolidated Balance Sheet, (iii) consent fees of $12.0 million, (iv) issuance costs of $10.1 million, (v) write-off of deferred costs related to the Prior Notes of $4.6 million, (vi) issuance of $1.0 million of Common Stock, and (vii) a write-off of discount associated with the Prior Notes of $0.9 million.

(8) Deferred Debt Costs

Deferred debt costs, net are comprised of the following at March 31 (in thousands):

	2010	2009
2009 Credit Agreement	$ 14,936	$ 14,132
Prior Notes	406	951
Consent and waiver fees	156	447
Less - accumulated amortization	(4,560)	(1,727)
	$ 10,938	$ 13,803

In connection with the amendment and restatement of the 2006 Credit Agreement in January 2009, the Company deferred approximately $14.1 million associated with these obligations. In the current year, the Company capitalized an additional $0.8 million in debt costs associated with the 2009 Credit Agreement. In connection with waiver agreements with respect to the 2006 Credit Agreement and consent agreements with respect to the Prior Notes that the Company entered into in April 2007 and May 2007, the Company deferred approximately $0.9 million associated with these obligations. In May 2009 the Company retired the remaining aggregate principal amount of the 2009 Notes and the deferred debt costs associated with the notes were fully amortized and written-off.

(9) Related Party Transactions

In April 2003, Media, THL Managers V, LLC, an affiliate of Thomas H. Lee Partners L.P. ("T.H. Lee"), and Evercore Advisors L.P., an affiliate of Evercore Partners LLP ("Evercore"), entered into a management agreement (the "Management Agreement") pursuant to which THL Managers V, LLC and Evercore Advisors L.P. provided certain management and advisory services to Media and its subsidiaries for an annual fee of $1.0 million each. Management fees of $1.0 million were paid to each of Evercore and T.H. Lee in fiscal year 2006. Pursuant to certain of the supplemental indentures the Company entered into in fiscal year 2007, such fees for fiscal years 2007, 2008 and 2009 were accrued and payments for such fees were not made beginning in fiscal year 2007 or thereafter. As required by the 2009 Credit Agreement, the Management Agreement was terminated as of January 30, 2009 and unpaid management fees totaling $6.0 million were waived.

Prior to the Restructuring, certain affiliates of T.H. Lee owned 59.0% of the Class A units of EMP Group L.L.C. (the "LLC"), and certain affiliates of Evercore owned 21.8% of the Class A units of the LLC. Evercore and T.H. Lee and their affiliates beneficially owned approximately 10% and 62%, respectively, of Vertis, Inc. ("Vertis") until Vertis emerged from a pre-packaged bankruptcy on August 26, 2008. As of August 26, 2008, Vertis ceased to be a related party.

As a result of the Restructuring, Vertis again became a related party effective January 30, 2009 due to the new shareholders of Media holding significant equity interests in Vertis following its emergence from bankruptcy.

Vertis performs significant portions of the Company's Tabloid Publications pre-press operations. Purchases of this service from Vertis totaled $2.6 million, $3.1 million and $3.0 million for fiscal years 2010, 2009 and 2008, respectively. At March 31, 2010 and 2009, the Company had payables due to Vertis of $285,000 and $301,000, respectively.

(10) Investments in Joint Ventures

Mr. Olympia, LLC

In April 2005, the Company entered into a limited liability company agreement (the "Olympia Agreement") to form a joint venture ("Mr. Olympia, LLC") to manage and promote the Mr. Olympia fitness events. At any time prior to the tenth anniversary of the execution date of the Olympia Agreement the other limited liability company member may require the Company to purchase all of the limited liability company units ("Put Option") for a cash purchase price of $3.0 million. In the event that the other limited liability company member does not exercise the Put Option, for a period of 120 days following the tenth anniversary of the date of execution of the Olympia Agreement, the Company may require the other limited liability company member to sell all of its limited liability company units ("Call Option") for a sale price of $3.0 million.

In April 2005, the other limited liability company member licensed certain trademarks related to the Mr. Olympia fitness events (collectively, the "Olympia Trademarks") to Mr. Olympia, LLC in exchange for the Company paying $3.0 million over a ten year period. In the event that the Put Option or Call Option is exercised, the Olympia Trademarks will be transferred and owned by Mr. Olympia, LLC. Any remaining balance of the $3.0 million license fee will become due and payable upon such exercise. In the event that the Put Option or Call Option is not exercised, Mr. Olympia, LLC retains the right to the Olympia Trademarks in perpetuity once the $3.0 million license fee is paid.

The Company has concluded that it is the primary beneficiary of the limited liability company and, consequently, the Company accounts for the limited liability company as a consolidated subsidiary. The Company has recorded the $3.0 million Put/Call Option and the $3.0 million Olympia Trademarks as an indefinite lived intangible asset in the accompanying Consolidated Balance Sheets as of March 31, 2010 and 2009. In addition, the Company has recorded $4.2 million of accrued expenses and other liabilities at March 31, 2010 which represents the remaining obligation for the Put/Call Option and the license fee associated with the Olympia Trademarks.

Radar Online, LLC

In October 2008, the Company entered into a limited liability company agreement (the "Radar Online Agreement") to form a joint venture ("Radar Online, LLC") to manage the RadarOnline.com website. The Company owns 50% of Radar Online, LLC and accounts for this joint venture using the equity method, and therefore does not consolidate Radar Online, LLC in its

Consolidated Financial Statements. The impact of Radar Online, LLC to the Company's Consolidated Financial Statements for fiscal year 2010 is insignificant. Radar Online, LLC management fees receivable totaled $716,000 and $216,000 as of March 31, 2010 and 2009, respectively. The management fees are included in the Consolidated Balance Sheet within other long-term assets.

(11) Commitments and Contingencies

Litigation

On March 10, 2009, Anderson News, L.L.C. and Anderson Services, L.L.C., magazine wholesalers (collectively, "Anderson"), filed a lawsuit against Media, DSI and various magazine publishers, wholesalers and distributors in the Federal District Court for the Southern District of New York (the "Anderson Action"). Anderson's complaint alleges that the defendants violated Section 1 of the Sherman Act by engaging in a purported industry-wide conspiracy to boycott Anderson and drive it out of business. Plaintiffs also purport to assert claims for defamation, tortious interference with contract, and civil conspiracy. The complaint does not specify the amount of damages sought. While it is not possible to predict with certainty the outcome of the Anderson Action or to estimate the impact on the Company, if any, Media and DSI have been, and intend to continue to, vigorously defend the case.

In addition, because the focus of some of the Company's publications often involves celebrities or controversial subjects, the risk of defamation or invasion of privacy litigation exists. The Company's experience indicates that the claims for damages made in such lawsuits are usually defensible and heavily inflated and, in any event, any reasonably foreseeable material liability or settlement would likely be covered by insurance.

The Company periodically evaluates and assesses the risks and uncertainties associated with litigation disregarding the existence of insurance that would cover liability for such litigation. At present, in the opinion of management, after consultation with outside legal counsel, the liability resulting from such litigation, even if insurance was not available, is not expected to have a material effect on the Company's Consolidated Financial Statements.

Printing Agreement

The Company has a printing agreement expiring in fiscal year 2018 with R.R. Donnelley & Sons Company ("RR Donnelley") to print *National Enquirer, Globe, Shape, Men's Fitness, Fit Pregnancy, Muscle & Fitness, Muscle & Fitness Hers, Flex, Natural Health, National Examiner, Sun, Mira!* and *Country Weekly*. Additionally, the Company has printing agreements with Quad/Graphics, Inc. to print *Star* expiring in fiscal year 2015, Trend Offset Printing, Inc. to print *Star* expiring in fiscal year 2012 and Arti Grafiche Boccia, S.p.A. ("AGB") to print certain of its European publications expiring in fiscal year 2011. These contracts, with the exception of the contract with AGB, require pricing adjustments based on the Consumer Price Index. Based on current pricing and production levels, these contracts are estimated to cost approximately $377.0 million over their remaining life as follows (in thousands):

Fiscal Year		
2011	$	57,642
2012		57,711
2013		48,313
2014		49,659
2015		42,145
Thereafter		121,553
	$	377,023

Pre-press Agreement

The Company has a pre-press agreement expiring in its fiscal year 2018 with RR Donnelley for *Shape*, *Men's Fitness*, *Muscle & Fitness Hers*, *Fit Pregnancy*, *Muscle & Fitness*, *Flex*, and *Natural Health*. All other titles are under a pre-press agreement with Vertis, expiring in the Company's fiscal year 2013. Based on current pricing and production levels, these contracts, one of which requires pricing adjustments based on changes in the Consumer Price Index, are estimated to cost approximately $26.1 million over their remaining life. See Note 9, "Related Party Transactions," for a discussion of the Company's pre-press relationship with Vertis. Commitments under these agreements at March 31, 2010 are as follows (in thousands):

Fiscal Year		
2011	$	4,911
2012		4,978
2013		3,159
2014		2,601
2015		2,674
Thereafter		7,751
	$	26,074

Transportation Agreement

The Company has a transportation agreement expiring in fiscal year 2018 with RR Donnelley to transport *Star, National Enquirer, Globe, National Examiner, Sun, Country Weekly and Mira!* to wholesalers within the continental United States and Canada. Commitments under this agreement at March 31, 2010 are as follows (in thousands):

Fiscal Year		
2011	$	6,548
2012		6,730
2013		6,918
2014		7,110
2015		7,308
Thereafter		21,185
	$	55,799

Subscription Agreement

The Company has a subscription agreement with CDS Global, Inc. expiring in the Company's fiscal year 2015 for subscription fulfillment services *for National Enquirer, Globe, Shape, Men's Fitness, Fit Pregnancy, Muscle & Fitness, Muscle & Fitness Hers, Flex, Natural Health, National Examiner and Sun*. Commitments under this agreement at March 31, 2010 are as follows (in thousands):

Fiscal Year		
2011	$	7,615
2012		7,441
2013		7,270
2014		7,104
2015		5,205
Thereafter		-
	$	34,635

Operating Leases

Minimum annual commitments under non-cancelable operating leases at March 31, 2010 are as follows (in thousands):

Fiscal Year		
2011	$	4,948
2012		2,474
2013		593
2014		90
2015		74
Thereafter		218
	$	8,397

Rent expenses under real property and equipment leases were $5.7 million, $5.8 million and $5.4 million for fiscal years 2010, 2009 and 2008, respectively, and are included in selling, general and administrative expense in the accompanying Consolidated Statements of Income (Loss).

Other Agreements

The Company has a consulting agreement expiring in fiscal year 2012 with an unrelated company to assist with the marketing of its brands. The Company has a consumer marketing agreement expiring in fiscal year 2011 with an unrelated company for the printing of consumer marketing materials. These contracts are estimated to cost approximately $7.8 million over their remaining life.

Trademark License Agreement

As part of the acquisition of the Weider publications in January 2003, the Company entered into a trademark license agreement with Weider Health and Fitness which grants the Company the exclusive right to use the Weider trademarks on the cover and in the editorial content of *Shape*, *Muscle & Fitness*, *Muscle & Fitness Hers*, *Men's Fitness*, *Flex*, *Natural Health* and *Fit Pregnancy* and in any future healthy living or fitness-related publications in any media. The Company was also given the non-exclusive right to use the trade name Joe Weider on products and services other than publications. The Company pays Weider Health and Fitness $0.2 million per year pursuant to the trademark license agreement and has estimated that such payments will continue through 2017. The Company also has the right to use the Weider, Team Weider and Joe Weider trademarks in most other countries in the world.

(12) Selected Quarterly Financial Data (Unaudited)

Quarterly financial data for fiscal years 2010 and 2009 is as follows (in thousands):

	Operating Revenues	Gross Profit	Operating Income (Loss)	Net (Loss) Income
2010				
Q1 2010 (a)	$ 103,096	$ 41,700	$ 3,476 (b)	$ (8,279) (b)
Q2 2010 (a)	108,634	46,678	27,678	10,803
Q3 2010 (a)	94,853	38,530	19,399	(18,837)
Q4 2010	105,847	49,662	30,424	19,531
2009				
Q1 2009	$ 118,822	$ 51,884	$ 25,552	$ 388
Q2 2009	128,799	53,960	28,968	623
Q3 2009	101,288	33,905	(209,216) (c)	(190,741) (c)
Q4 2009	112,740	44,899	27,665 (d)	6,407 (d)

(a) Amounts as reported in the Company's fiscal quarters ended June 30, 2009 (Q1 fiscal year 2010), September 30, 2009 (Q2 fiscal year 2010), and December 31, 2009 (Q3 fiscal year 2010) Quarterly Reports.

(b) Operating income and net loss for the first quarter of fiscal year 2010 includes a provision for impairment of tradenames, goodwill and other identified intangibles of $17.6 million.

(c) Operating loss and net loss for the third quarter of fiscal year 2009 includes a provision for impairment of tradenames, goodwill and other identified intangibles of $217.8 million.

(d) Operating income and net income for the fourth quarter of fiscal year 2009 includes a reduction to the provision for impairment of tradenames, goodwill and other identified intangibles of $0.5 million. Net income for the fourth quarter of fiscal year 2009 includes a gain on extinguishment of debt of $4.9 million.

(13) Business Segment Information

The Company has aggregated its business into five reporting segments: Celebrity Publications, Tabloid Publications, Women's Health and Fitness Publications, Distribution Services and Corporate/Other. The aggregation of the Company's business is based upon the Company's publications having the following similarities: economic characteristics, types of products and services, types of production processes, type or class of customers, and method of distribution.

The Celebrity Publications segment aggregation includes *Star* and *Country Weekly*.

The Tabloid Publications segment aggregation includes *National Enquirer, Globe,* and *National Examiner*.

The Women's Health and Fitness Publications segment aggregation includes *Shape* and *Fit Pregnancy.*

The Distribution Services segment is comprised of DSI, which arranges for the placement of the Company's publications and third-party publications with retailers and monitors through its regional managers and merchandising staff that the Company's publications and third-party publications are properly displayed in stores, primarily national and regional supermarket chains and major retail chains such as Wal-Mart, Kroger Companies, Safeway, Super Valu/Albertsons, Stop & Shop/Giant Food, Publix, H.E. Butt, Food Lion/Sweetbay, Great A&P Tea Company and Winn Dixie. DSI also coordinates (also known as acting as a "category manager/front-end advisor") the racking of magazine fixtures for selected retailers. In addition, DSI provides marketing, merchandising and information gathering services to third parties including non-magazine clients.

The Corporate/Other segment aggregation includes the following publications: *Muscle & Fitness, Men's Fitness, Muscle & Fitness Hers, Flex, UFC Magazine, Natural Health, Sun,* and *Mira!*. In addition, the Corporate/Other segment also includes publishing services, ancillary sales and corporate overhead. Ancillary sales primarily relate to licensing, syndication and new media. Corporate expenses not allocated to other segments include production and circulation department costs, and executive staff support departments such as information technology, accounting, legal, human resources and administration. While most of the publications aggregated in the Corporate/Other segment have certain similar products and services, production processes, type or class of customers, and method of distribution as some of the other publications which are aggregated into the other reporting segments (Celebrity Publications, Tabloid Publications and Women's Health and Fitness Publications), their economic characteristics are dissimilar with such other publications. Accordingly, the Company has aggregated those publications into the Corporate/Other reporting segment.

The Company's accounting policies are the same for all reportable segments.

Segment Data

The following table presents the results of and assets employed in the Company's five reporting segments for fiscal years 2010, 2009 and 2008, respectively. The information includes certain intersegment transactions and is, therefore, not necessarily indicative of the results had the operations existed as stand-alone businesses. Intersegment transactions represent intercompany advertising and other services, which are billed at what management believes are prevailing market rates. These intersegment transactions, which represent transactions between operating units in different business segments, are eliminated in consolidation. The results of operations exclude the results of our discontinued operations for all periods presented. See Note 3, "Discontinued Operations," for a discussion regarding discontinued operations.

	Segment (in thousands)					(in thousands)	
	Celebrity Publications	Tabloid Publications	Women's Health and Fitness Publications	Distribution Services	Corporate/ Other (1)	Elimination Entries	Consolidated Total
Operating revenues							
Fiscal year ended 2010	$ 102,172	$ 131,715	$ 63,753	$ 29,215	$ 93,762	$ (8,187) **(2)**	$ 412,430
Fiscal year ended 2009	$ 113,731	$ 134,064	$ 78,337	$ 32,931	$ 111,129	$ (8,543) **(2)**	$ 461,649
Fiscal year ended 2008	$ 127,667	$ 140,667	$ 85,533	$ 32,956	$ 112,649	$ (8,698) **(2)**	$ 490,774
Operating income (loss)							
Fiscal year ended 2010 **(3)**	$ 26,843	$ 63,323	$ (634)	$ 5,949	$ (14,504)	$ -	$ 80,977
Fiscal year ended 2009 **(4)**	$ (42,038)	$ (24,600)	$ (40,709)	$ 6,831	$ (26,515)	$ -	$ (127,031)
Fiscal year ended 2008 **(5)**	$ 20,747	$ 64,832	$ 29,248	$ 8,666	$ (56,439)	$ -	$ 67,054
Depreciation and amortization							
Fiscal year ended 2010	$ 18	$ 2,622	$ -	$ 865	$ 3,128	$ -	$ 6,633
Fiscal year ended 2009	$ 1,297	$ 2,622	$ -	$ 176	$ 5,478	$ -	$ 9,573
Fiscal year ended 2008	$ 1,916	$ 2,628	$ -	$ 173	$ 7,871	$ -	$ 12,588
Amortization of deferred rack costs							
Fiscal year ended 2010	$ 1,850	$ 2,962	$ 304	$ -	$ 776	$ -	$ 5,892
Fiscal year ended 2009	$ 3,072	$ 4,934	$ 452	$ -	$ 2,774	$ -	$ 11,232
Fiscal year ended 2008	$ 2,164	$ 4,786	$ 610	$ -	$ 3,099	$ -	$ 10,659
Provision for impairment of intangible assets and goodwill							
Fiscal year ended 2010	$ -	$ -	$ 17,595	$ -	$ -	$ -	$ 17,595
Fiscal year ended 2009	$ 63,072	$ 83,247	$ 62,021	$ -	$ 9,010	$ -	$ 217,350
Fiscal year ended 2008	$ 11,470	$ -	$ -	$ -	$ 19,627	$ -	$ 31,097
Total Assets							
At March 31, 2010	$ 111,508	$ 249,588	$ 76,550	$ 15,645	$ 167,168	$ -	$ 620,459
At March 31, 2009	$ 112,355	$ 248,776	$ 98,054	$ 18,155	$ 189,503	$ -	$ 666,843

(1) Income tax expense of $22.8 million, income tax benefit of $33.3 million, income tax expense of $3.3 million, interest expense of $50.6 million, $85.3 million and $99.0 million, other expense related to senior subordinated notes issued of $0, $0 and $17.1 million, and amortization of deferred debt costs of $3.9 million, $9.8 million and $10.9 million for fiscal years 2010, 2009 and 2008, respectively, are included in the Corporate/Other segment.

(2) Substantially all of the amount represents revenues from transactions with the Distribution Services segment.

(3) Operating (loss) income includes the provision for impairment of tradenames and other identified intangibles of $3.0 million for Women's Health and Fitness Publications and the provision for impairment of goodwill of $14.6 million for Women's Health and Fitness Publications.

(4) Operating (loss) income includes the provision for impairment of tradenames and other identified intangible assets of $47.9 million for Celebrity Publications, $31.9 million for Tabloid Publications, $15.0 million for Women's Health and Fitness Publications and $8.3 million for Corporate/Other and the provision for impairment of goodwill of $15.2 million for Celebrity Publications, $51.3 million for Tabloid Publications, $47.0 million for Women's Health and Fitness Publications and $0.7 million for Corporate/Other.

(5) Operating (loss) income includes the provision for impairment of tradenames and other identified intangibles of $3.3 million for Celebrity Publications and the provision for impairment of goodwill of $8.2 million for Celebrity Publications and $19.6 million for Corporate/Other.

(14) Severance Charges

The Company incurred severance charges related to the closures and re-launch of publications for each of fiscal years 2010, 2009 and 2008. The Company also incurred severance charges in connection with the implementation of initiatives related to cost savings opportunities during the fourth fiscal quarter of fiscal year 2009 when it terminated approximately 113 employees. Severance charges for fiscal years 2010, 2009 and 2008 were approximately $1.0 million, $3.9 million and $1.5 million, respectively. At March 31, 2010 and 2009, the Company had accrued severance charges of $0.4 million and $1.1 million, respectively.

(15) Benefit Plans

The Company maintains a 401(k) plan covering all eligible employees. Subject to certain dollar limits, eligible employees may contribute up to 20% of their pre-tax annual compensation to the plan. The Company may make discretionary contributions on an annual basis. During part of fiscal year 2009 and all of fiscal year 2008, the Company made matching contributions of 100% of the first 2% of participating employee's eligible contributions. Effective December 31, 2008, the Company suspended its matching contributions due to the current economic downturn. The Company's matching contributions were approximately $0 million, $0.5 million and $0.6 million in fiscal years 2010, 2009 and 2008, respectively.

(16) *Men's Fitness* International Licensing

On September 19, 2009, the Company received $0.2 million from a licensee (the "Former Licensee") for the termination of its *Men's Fitness* license agreement in the United Kingdom and Ireland (the "Termination Agreement"). Simultaneously with the Termination Agreement, the Former Licensee also paid the Company $0.6 million to purchase the trademarks, domain names and the exclusive and sub-licensable right to publish *Men's Fitness* in the United Kingdom and Ireland, which amount has been reflected as gain on sale of assets in fiscal year ended March 31, 2010.

Under a separate agreement also entered into on September 19, 2009, the Company also received $2.0 million from the Former Licensee (the "Licensing Cooperation Agreement") to publish licensed editions of *Men's Fitness* in five new countries. The $2.0 million received from the Former Licensee is included in other non-current liabilities in the accompanying Consolidated Balance Sheets. The Former Licensee may terminate the Licensing Cooperation Agreement upon one year's written notice if the Company fails to begin publishing *Men's Fitness* in its existing locations, which exclude the United Kingdom and Ireland, within the one-year period. The Company may terminate the Licensing Cooperation Agreement upon one year's written notice if the Former Licensee fails to begin publishing *Men's Fitness* in the new countries within the one-year period.

(17) License Agreement and Publishing Services

UFC Magazine
In August 2009, the Company entered into a magazine publishing and license agreement with Zuffa, LLC ("UFC"). Under this agreement, the Company licensed from UFC the right to publish, produce, market and distribute a publication titled *UFC Magazine*. The first bi-monthly issue of *UFC Magazine* under this agreement went on sale in November 2009. In consideration for the licensing rights, the Company will make quarterly payments to UFC based on the net profit generated by *UFC Magazine*. The impact of *UFC Magazine* to the Company's Consolidated Financial Statements for fiscal year 2010 is insignificant.

Playboy
In November 2009, the Company entered into a publishing services agreement with Playboy Enterprises, Inc. ("Playboy"). Under this agreement, the Company assumed responsibility for *Playboy* magazine's advertising sales and marketing, circulation and production management, newsstand distribution and back office financial services as of January 2010. In consideration for these services, Playboy makes payments to the Company for certain service fees, certain cost savings and subscription revenue incentives. In addition, the Company provides advertising services to Playboy.com and management for certain Playboy events. The impact of *Playboy* to the Company's Consolidated Financial Statements for fiscal year 2010 is insignificant.

World Wrestling Entertainment
In November 2009, the Company entered into a publishing services agreement with World Wrestling Entertainment, Inc. ("WWE") to provide advertising sales and other related support services for both *WWE* magazine and *WWE Kids* magazine as of February 2010. In consideration for these services, WWE pays the Company certain service fees. The impact of *WWE* to the Company's Consolidated Financial Statements for fiscal year 2010 is insignificant.

(18) Supplemental Condensed Consolidating Financial Information

The following tables present condensed consolidating financial information of (a) the parent company, American Media Operations, Inc., as issuer of the Prior Notes and New Notes, (b) on a combined basis, the subsidiary guarantors of the Prior Notes and New Notes, and (c) on a combined basis, the subsidiaries that are not guarantors of the Prior Notes and New Notes. Separate financial statements of the subsidiary guarantors are not presented because each of the subsidiary guarantors is 100% owned by the parent company issuer, and the guarantee by each subsidiary guarantor is full and unconditional and joint and several. As a result and in accordance with Rule 3-10(f) of Regulation S-X under the Securities Exchange Act of 1934, as amended, the Company includes the following:

SUPPLEMENTAL CONDENSED CONSOLIDATING BALANCE SHEET
AS OF MARCH 31, 2010
(in thousands)

ASSETS	Parent	Guarantors	Non-Guarantors	Eliminations	Condensed Consolidated
CURRENT ASSETS:					
Cash and cash equivalents	$ 274	$ 4,624	$ 1,708	$ -	$ 6,606
Trade receivables, net	-	46,705	1,798	-	48,503
Inventories	-	12,972	476	-	13,448
Prepaid expenses and other current assets	94	25,026	599	(5,487)	20,232
Total current assets	368	89,327	4,581	(5,487)	88,789
PROPERTY AND EQUIPMENT, NET:					
Leasehold improvements	-	1,824	-	-	1,824
Furniture, fixtures and equipment	-	31,347	452	-	31,799
Less – accumulated depreciation	-	(26,780)	(349)	-	(27,129)
Total property and equipment, net	-	6,391	103	-	6,494
OTHER ASSETS:					
Deferred debt costs, net	10,938	-	-	-	10,938
Deferred rack costs, net	-	8,461	-	-	8,461
Other long-term assets	-	3,257	-	-	3,257
Investment in subsidiaries	457,200	983	-	(458,183)	-
Total other assets	468,138	12,701	-	(458,183)	22,656
GOODWILL AND OTHER IDENTIFIED INTANGIBLE ASSETS:					
Goodwill	-	226,376	4,509	-	230,885
Other identified intangibles, net	6,000	265,635	-	-	271,635
Total goodwill and other identified intangible assets	6,000	492,011	4,509	-	502,520
TOTAL ASSETS	$ 474,506	$ 600,430	$ 9,193	$ (463,670)	$ 620,459
LIABILITIES AND STOCKHOLDER'S EQUITY (DEFICIT)					
Term loan	$ 4,500	$ -	$ -	$ -	$ 4,500
Senior subordinated notes, net	39,458	-	-	-	39,458
Accounts payable	2	14,688	989	-	15,679
Accrued expenses and other liabilities	4,413	38,564	445	(4,867)	38,555
Accrued interest	1,433	-	-	-	1,433
Deferred revenues	266	36,182	481	-	36,929
Total current liabilities	50,072	89,434	1,915	(4,867)	136,554
NON-CURRENT LIABILITIES:					
Term loan and revolving credit facility	449,371	-	-	-	449,371
Senior subordinated notes, net	521,151	-	-	-	521,151
Other non-current liabilities	7,083	2,000	-	-	9,083
Deferred income taxes	-	83,428	(74)	(620)	82,734
Due (from) to affiliates	25,263	(31,632)	6,369	-	-
Total liabilities	1,052,940	143,230	8,210	(5,487)	1,198,893
STOCKHOLDER'S (DEFICIT) EQUITY:					
Total stockholder's (deficit) equity	(578,434)	457,200	983	(458,183)	(578,434)
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY (DEFICIT)	$ 474,506	$ 600,430	$ 9,193	$ (463,670)	$ 620,459

SUPPLEMENTAL CONDENSED CONSOLIDATING BALANCE SHEET
AS OF MARCH 31, 2009
(in thousands)

ASSETS	Parent	Guarantors	Non-Guarantors	Eliminations	Condensed Consolidated
CURRENT ASSETS:					
Cash and cash equivalents	$ 388	$ 16,891	$ 1,716	$ -	$ 18,995
Trade receivables, net	-	59,478	1,798	-	61,276
Inventories	-	17,848	415	-	18,263
Prepaid expenses and other current assets	67	20,668	535	(5,488)	15,782
Total current assets	455	114,885	4,464	(5,488)	114,316
PROPERTY AND EQUIPMENT, NET:					
Leasehold improvements	-	1,818	-	-	1,818
Furniture, fixtures and equipment	-	28,495	381	-	28,876
Less – accumulated depreciation	-	(24,097)	(335)	-	(24,432)
Total property and equipment, net	-	6,216	46	-	6,262
OTHER ASSETS:					
Deferred debt costs, net	13,803	-	-	-	13,803
Deferred rack costs, net	-	6,686	-	-	6,686
Other long-term assets	-	2,304	7	-	2,311
Investment in subsidiaries	437,218	1,177	-	(438,395)	-
Total other assets	451,021	10,167	7	(438,395)	22,800
GOODWILL AND OTHER IDENTIFIED INTANGIBLE ASSETS:					
Goodwill	-	240,938	4,510	-	245,448
Other identified intangibles, net	6,000	272,017	-	-	278,017
Total goodwill and other identified intangible assets	6,000	512,955	4,510	-	523,465
TOTAL ASSETS	$ 457,476	$ 644,223	$ 9,027	$ (443,883)	$ 666,843
LIABILITIES AND STOCKHOLDER'S EQUITY (DEFICIT)					
Term loan	$ 4,500	$ -	$ -	$ -	$ 4,500
Senior subordinated notes, net	29,542	-	-	-	29,542
Accounts payable	4	26,476	919	-	27,399
Accrued expenses and other liabilities	4,633	43,088	407	3,668	51,796
Accrued interest	5,067	1	-	-	5,068
Deferred revenues	176	37,146	420	-	37,742
Total current liabilities	43,922	106,711	1,746	3,668	156,047
NON-CURRENT LIABILITIES:					
Term loan and revolving credit facility	482,871	-	-	-	482,871
Senior subordinated notes, net	545,078	-	-	-	545,078
Other non-current liabilities	6,174	-	-	-	6,174
Deferred income taxes	-	67,797	(265)	(9,156)	58,376
Due (from) to affiliates	(38,866)	32,497	6,369	-	-
Total liabilities	1,039,179	207,005	7,850	(5,488)	1,248,546
STOCKHOLDER'S (DEFICIT) EQUITY:					
Total stockholder's (deficit) equity	(581,703)	437,218	1,177	(438,395)	(581,703)
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY (DEFICIT)	$ 457,476	$ 644,223	$ 9,027	$ (443,883)	$ 666,843

SUPPLEMENTAL CONDENSED CONSOLIDATING STATEMENT OF INCOME
FOR THE FISCAL YEAR ENDED MARCH 31, 2010
(in thousands)

	Parent	Guarantors	Non-Guarantors	Eliminations	Condensed Consolidated
OPERATING REVENUES:					
Circulation		$ 241,636	$ 4,578	$ -	$ 246,214
Advertising	-	128,283	5,998	-	134,281
Other	3,384	27,391	1,160	-	31,935
Total operating revenues	3,384	397,310	11,736	-	412,430
OPERATING EXPENSES:					
Editorial	-	43,290	1,017	-	44,307
Production	2,043	114,393	3,224	-	119,660
Distribution, circulation and other cost of sales	-	69,762	2,131	-	71,893
Selling, general and administrative	328	68,507	2,530	-	71,365
Depreciation and amortization	-	6,603	30	-	6,633
Provision for impairment of intangible assets and goodwill	-	17,595	-	-	17,595
Total operating expenses	2,371	320,150	8,932	-	331,453
OPERATING INCOME (LOSS)	1,013	77,160	2,804	-	80,977
OTHER (EXPENSE) INCOME:					
Interest expense	(50,731)	130	-	-	(50,601)
Amortization of deferred debt costs	(3,893)	-	-	-	(3,893)
Other (expense) income, net	-	-	-	-	-
Gain on extinguishment of debt	-	-	-	-	-
Total other (expense) income	(54,624)	130	-	-	(54,494)
INCOME (LOSS) BEFORE PROVISION (BENEFIT) FOR INCOME TAXES, AND EQUITY (LOSSES) IN EARNINGS OF CONSOLIDATED SUBSIDIARIES	(53,611)	77,290	2,804	-	26,483
PROVISION (BENEFIT) FOR INCOME TAXES	(37,356)	59,272	840	-	22,756
EQUITY (LOSSES) IN EARNINGS OF CONSOLIDATED SUBSIDIARIES	19,982	1,964	-	(21,946)	-
NET INCOME (LOSS)	3,727	19,982	1,964	(21,946)	3,727
LESS: NET INCOME ATTRIBUTABLE TO THE NONCONTROLLING INTEREST	(509)	-	-	-	(509)
NET INCOME (LOSS) ATTRIBUTABLE TO AMERICAN MEDIA OPERATIONS, INC AND SUBSIDIARIES	$ 3,218	$ 19,982	$ 1,964	$ (21,946)	$ 3,218

SUPPLEMENTAL CONDENSED CONSOLIDATING STATEMENT OF LOSS
FOR THE FISCAL YEAR ENDED MARCH 31, 2009
(in thousands)

	Parent	Guarantors	Non-Guarantors	Eliminations	Condensed Consolidated
OPERATING REVENUES:					
Circulation	$ -	$ 249,864	$ 5,095	$ -	$ 254,959
Advertising	-	164,616	6,511	-	171,127
Other	3,305	31,009	1,249	-	35,563
Total operating revenues	3,305	445,489	12,855	-	461,649
OPERATING EXPENSES:					
Editorial	-	48,000	779	-	48,779
Production	2,252	136,196	3,549	-	141,997
Distribution, circulation and other cost of sales	-	83,946	2,279	-	86,225
Selling, general and administrative	275	81,186	3,295	-	84,756
Depreciation and amortization	-	9,533	40	-	9,573
Provision for impairment of intangible assets and goodwill	-	217,350	-	-	217,350
Total operating expenses	2,527	576,211	9,942	-	588,680
OPERATING INCOME (LOSS)	778	(130,722)	2,913	-	(127,031)
OTHER (EXPENSE) INCOME:					
Interest expense	(85,042)	(209)	-	-	(85,251)
Amortization of deferred debt costs	(9,849)	-	-	-	(9,849)
Other (expense) income, net	39	405	93	-	537
Gain on extinguishment of debt	4,858	-	-	-	4,858
Total other (expense) income	(89,994)	196	93	-	(89,705)
(LOSS) INCOME BEFORE PROVISION (BENEFIT) FOR INCOME TAXES, EQUITY (LOSSES) IN EARNINGS OF CONSOLIDATED SUBSIDIARIES AND INCOME FROM DISCONTINUED OPERATIONS	(89,216)	(130,526)	3,006	-	(216,736)
(BENEFIT) PROVISION FOR INCOME TAXES	-	(34,241)	902	-	(33,339)
(LOSSES) EQUITY IN EARNINGS OF CONSOLIDATED SUBSIDIARIES	(93,681)	2,104	-	91,577	-
(LOSS) INCOME FROM CONTINUING OPERATIONS	(182,897)	(94,181)	2,104	91,577	(183,397)
INCOME FROM DISCONTINUED OPERATIONS, NET OF INCOME TAXES	-	500	-	-	500
NET (LOSS) INCOME	(182,897)	(93,681)	2,104	91,577	(182,897)
LESS: NET INCOME ATTRIBUTABLE TO THE NONCONTROLLING INTEREST	(426)	-	-	-	(426)
NET INCOME (LOSS) ATTRIBUTABLE TO AMERICAN MEDIA OPERATIONS, INC AND SUBSIDIARIES	$ (183,323)	$ (93,681)	$ 2,104	$ 91,577	$ (183,323)

SUPPLEMENTAL CONDENSED CONSOLIDATING STATEMENT OF LOSS
FOR THE FISCAL YEAR ENDED MARCH 31, 2008
(in thousands)

	Parent	Guarantors	Non-Guarantors	Eliminations	Condensed Consolidated
OPERATING REVENUES:					
Circulation	$ -	$ 265,575	$ 6,142	$ -	$ 271,717
Advertising	-	174,316	7,178	-	181,494
Other	2,848	33,414	1,301	-	37,563
Total operating revenues	2,848	473,305	14,621	-	490,774
OPERATING EXPENSES:					
Editorial	-	50,269	1,258	-	51,527
Production	1,880	132,434	3,937	-	138,251
Distribution, circulation and other cost of sales	-	84,431	2,428	-	86,859
Selling, general and administrative	144	99,240	4,014	-	103,398
Depreciation and amortization	-	12,529	59	-	12,588
Provision for impairment of intangible assets and goodwill	-	31,097	-	-	31,097
Total operating expenses	2,024	410,000	11,696	-	423,720
OPERATING INCOME	824	63,305	2,925	-	67,054
OTHER (EXPENSE) INCOME:					
Interest expense	(98,718)	(324)	-	-	(99,042)
Senior subordinated notes issued	(17,109)	-	-	-	(17,109)
Amortization of deferred debt costs	(10,926)	-	-	-	(10,926)
Other (expense) income, net	4	2,337	181	-	2,522
Total other (expense) income	(126,749)	2,013	181	-	(124,555)
(LOSS) INCOME BEFORE PROVISION (BENEFIT) FOR INCOME TAXES, EQUITY (LOSSES) IN EARNINGS OF CONSOLIDATED SUBSIDIARIES AND INCOME FROM DISCONTINUED OPERATIONS	(125,925)	65,318	3,106	-	(57,501)
(BENEFIT) PROVISION FOR INCOME TAXES	(28,694)	31,234	744	-	3,284
EQUITY IN EARNINGS (LOSSES) OF CONSOLIDATED SUBSIDIARIES	35,761	2,362	-	(38,123)	-
(LOSS) INCOME FROM CONTINUING OPERATIONS	(61,470)	36,446	2,362	(38,123)	(60,785)
LOSS FROM DISCONTINUED OPERATIONS, NET OF INCOME TAXES	-	(685)	-	-	(685)
NET (LOSS) INCOME	(61,470)	35,761	2,362	(38,123)	(61,470)
LESS: NET INCOME ATTRIBUTABLE TO THE NONCONTROLLING INTEREST	(424)	-	-	-	(424)
NET INCOME (LOSS) ATTRIBUTABLE TO AMERICAN MEDIA OPERATIONS, INC AND SUBSIDIARIES	$ (61,894)	$ 35,761	$ 2,362	$ (38,123)	$ (61,894)

SUPPLEMENTAL CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED MARCH 31, 2010
(in thousands)

	Parent	Guarantors	Non-Guarantors	Eliminations	Condensed Consolidated
Cash Flows from Operating Activities:					
Net cash (used in) provided by operating activities	$ (52,112)	$ 92,282	$ 2,236	$ (2,156)	$ 40,250
Cash Flows from Investing Activities:					
Purchases of property and equipment	-	(4,483)	(88)	-	(4,571)
Proceeds from sale of assets	-	649	-	-	649
Investment in Mr. Olympia, LLC	(300)	-	-	-	(300)
Net cash used in investing activities	(300)	(3,834)	(88)	-	(4,222)
Cash Flows from Financing Activities:					
Due to (from) affiliates	101,508	(101,508)	-	-	-
Proceeds from revolving credit facility	6,000	-	-	-	6,000
Term loan and revolving credit facility principal payments	(39,500)	-	-	-	(39,500)
Dividend paid to parent	-	-	(2,156)	2,156	-
Payment to retire senior subordinated indebtedness	(14,025)	-	-	-	(14,025)
Payment of deferred debt costs	(1,685)	-	-	-	(1,685)
Net cash provided by (used in) financing activities	52,298	(101,508)	(2,156)	2,156	(49,210)
Effect of exchange rate changes on cash	-	793	-	-	793
Net Decrease in Cash and Cash Equivalents	(114)	(12,267)	(8)	-	(12,389)
Cash and Cash Equivalents, Beginning of Period	388	16,891	1,716	-	18,995
Cash and Cash Equivalents, End of Period	$ 274	$ 4,624	$ 1,708	$ -	$ 6,606

SUPPLEMENTAL CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED MARCH 31, 2009
(in thousands)

	Parent	Guarantors	Non-Guarantors	Eliminations	Condensed Consolidated
Cash Flows from Operating Activities:					
Net cash (used in) provided by operating activities	$ (65,182)	$ 76,651	$ (1,705)	$ -	$ 9,764
Cash Flows from Investing Activities:					
Purchases of property and equipment	-	(2,948)	(24)	-	(2,972)
Proceeds from sale of assets	-	45	-	-	45
Proceeds from sale of discontinued operations	-	500	-	-	500
Investment in Mr. Olympia, LLC	(300)	-	-	-	(300)
Net cash used in investing activities	(300)	(2,403)	(24)	-	(2,727)
Cash Flows from Financing Activities:					
Due to (from) affiliates	117,891	(117,891)	-	-	-
Proceeds from revolving credit facility	74,000	-	-	-	74,000
Term loan and revolving credit facility principal payments	(96,629)	-	-	-	(96,629)
Payment of consent fees	(6,624)	-	-	-	(6,624)
Payment of restructuring costs	(407)	-	-	-	(407)
Payment of deferred debt costs	(22,517)	-	-	-	(22,517)
Net cash provided by (used in) financing activities	65,714	(117,891)	-	-	(52,177)
Effect of exchange rate changes on cash	-	-	(31)	-	(31)
Net Increase (Decrease) in Cash and Cash Equivalents	232	(43,643)	(1,760)	-	(45,171)
Cash and Cash Equivalents, Beginning of Period	156	60,534	3,476	-	64,166
Cash and Cash Equivalents, End of Period	$ 388	$ 16,891	$ 1,716	$ -	$ 18,995

SUPPLEMENTAL CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED MARCH 31, 2008
(in thousands)

	Parent	Guarantors	Non-Guarantors	Eliminations	Condensed Consolidated
Cash Flows from Operating Activities:					
Net cash (used in) provided by operating activities	$ (104,067)	$ 109,365	$ 1,511	$ -	$ 6,809
Cash Flows from Investing Activities:					
Purchases of property and equipment	-	(2,296)	(54)	-	(2,350)
Proceeds from sale of assets	-	408	-	-	408
Investment in Mr. Olympia, LLC	(300)	-	-	-	(300)
Net cash used in investing activities	(300)	(1,888)	(54)	-	(2,242)
Cash Flows from Financing Activities:					
Due to (from) affiliates	105,465	(105,465)	-	-	-
Payment of deferred debt costs	(942)	-	-	-	(942)
Net cash provided by (used in) financing activities	104,523	(105,465)	-	-	(942)
Effect of exchange rate changes on cash	-	-	127	-	127
Net Increase in Cash and Cash Equivalents	156	2,012	1,584	-	3,752
Cash and Cash Equivalents, Beginning of Period	-	58,522	1,892	-	60,414
Cash and Cash Equivalents, End of Period	$ 156	$ 60,534	$ 3,476	$ -	$ 64,166

(19) Subsequent Events

On July 15, 2010, the Company launched an exchange offer for the Subordinated Notes (the "Exchange Offer"), and a cash tender offer for the PIK Notes (the "Tender Offer"). In the Exchange Offer, holders of Subordinated Notes were offered $269.52 in cash and 335.62 shares of the Company Common Stock for each $1,000 of principal amount exchanged. In the Tender Offer, the Company offered to purchase each $1,000 principal amount of outstanding PIK Notes for $1,020.

On October 12, 2010, AMO commenced a separate consent solicitation (the "Interest Deferral Consent Solicitation") to solicit consents from eligible holders of Subordinated Notes to defer the payment of the November 1, 2010 scheduled interest payment on the Subordinated Notes to January 3, 2011 (such deferred payment of interest, the "Deferred Interest Payment"). Holders of more than 75% of the aggregate outstanding principal amount of Subordinated Notes delivered their consents to the Deferred Interest Payment in the Interest Deferral Consent Solicitation on October 28, 2010. The Company executed a supplemental indenture to the Subordinated Note Indenture to effect the Deferred Interest Payment, and such supplemental indenture became operative immediately upon execution.

The Exchange Offer and the Tender Offer were initially scheduled to expire on August 11, 2010, and were subsequently extended to November 1, 2010. Neither the Exchange Offer nor the Tender Offer is expected to be successfully consummated. The Company's Board of Directors has approved a financial restructuring through solicitation of a prepackaged plan of reorganization under Chapter 11 of the Bankruptcy Code (the "Plan"). Management has informed its investors that if the Company receives the requisite number of votes from its creditors in favor of the Plan by November 15, 2010 (unless extended), it will initiate a prepackaged Chapter 11 Filing in order to confirm and consummate the Plan. The Company's reorganization is premised around a debt-for-equity exchange with holders of the Subordinated Notes, approximately 78% of which have agreed to support the restructuring by executing a restructuring support agreement with the Company. Accordingly, as a result of the anticipated Chapter 11 Filing, there is substantial doubt regarding the Company's ability to continue as a going concern.

Management plans to address the issue of substantial doubt by the consummation of the Plan. However, there can be no assurance that the Company will receive the requisite consents to consummate the Plan and emerge from Chapter 11.

As a result of the substantial doubt regarding the Company's ability to continue as a going concern, management concluded that the Company was not in compliance with a financial statement covenant of the 2009 Credit Agreement for the year ended March 31, 2010. As a result of not complying with the covenant, the Company will be required to reflect the long-term portion of 2009 Credit Agreement debt as current portion of long-term debt for the quarterly period ended September 30, 2010 unless a waiver of the covenant violation is obtained.

Further, if the amounts due under the 2009 Credit Agreement were to accelerate as a result of the covenant violation, then a cross-acceleration of the Subordinated Notes may occur which would cause the Company to reflect the long-term portion of the Subordinated Notes as current portion of long-term debt for the quarterly period ended September 30, 2010.

The following is a summary of the pro-forma impact on the Company's term loan and revolving credit facility outstanding at March 31, 2010 presented as if the Company was not in compliance with the covenant at March 31, 2010:

	As Reported	Adjustments	Pro-forma Balance
CURRENT LIABILITIES:			
Term loan and revolving credit facility	$ 4,500	$ 449,371	$ 453,871
NON-CURRENT LIABILITIES:			
Term loan and revolving credit facility	$ 449,371	$ (449,371)	$ -

<u>Exhibit E</u>

Quarterly Report

Quarterly Report

For the Quarterly Period Ended June 30, 2010

American Media Operations, Inc.

Delaware (State or other jurisdiction of incorporation or organization)	**59-2094424** (IRS Employer Identification No.)
1000 American Media Way, Boca Raton, Florida (Address of principal executive offices)	**33464** (Zip Code)

Telephone number, including area code: (561) 997-7733

As of July 31, 2010, there were 6,284,360 shares of common stock outstanding.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Introduction

The following is a discussion of our financial condition and results of operations for the fiscal quarter ended June 30, 2010. This discussion should be read in conjunction with our Unaudited Condensed Consolidated Financial Statements and the Notes thereto found in Part I, Item I, herein.

Executive Summary

We are a leading publisher in the field of celebrity journalism and health and fitness magazines. Our publications include *National Enquirer, Star, Globe, National Examiner, Country Weekly, Mira!, Sun, Shape, Muscle & Fitness, Flex, Men's Fitness, Muscle & Fitness Hers, Fit Pregnancy, Natural Health, , UFC Magazine,* and other publications. Our magazines comprise approximately 21% of total U.S. and Canadian newsstand circulation for audited (by the Audit Bureau of Circulation or "ABC") weekly publications. For the fiscal quarter ended June 30, 2010, total average newsstand and subscription circulation per issue for all of our publications that are currently published and have a frequency of six or more times per year was approximately 5.9 million copies.

We also provide publishing services to other publishers, including Playboy Enterprises, Inc., World Wrestling Entertainment, Inc. and InterMedia Outdoors, Inc. We will seek to capitalize on opportunities to expand our publishing services business, including pursuing opportunities with our affiliates or companies controlled by our affiliates.

For the fiscal quarters ended June 30, 2010 and 2009, approximately 59% and 62%, respectively, of our total operating revenues were from circulation. Single copy sales accounted for approximately 81% and 83% of such circulation revenues in fiscal quarters ended June 30, 2010 and 2009, respectively, and the remainder was from subscription sales.

Our advertising revenues are generated by national advertisers, including packaged goods, sports nutrition products, automotive, entertainment, pharmaceutical, sports apparel, beauty and cosmetics, fashion and direct response. For the fiscal quarters ended June 30, 2010 and 2009, approximately 34% and 32%, respectively, of our total operating revenues were from advertising.

Our primary operating costs and expenses are comprised of production, distribution, circulation, editorial, and selling, general and administrative expenses. The largest components of our costs are related to production, which includes printing, paper, and circulation expenses. Circulation costs primarily include subscription fulfillment, postage and newsstand transportation. Editorial costs include salaries and costs associated with freelancers, manuscripts and photographs.

During the fiscal quarter ended June 30, 2010, we implemented management action plans resulting in $6.1 million of cost savings. The cost reductions were in the manufacturing area primarily related to print order reductions and reduced book sizes to be comparable to our competitive set, as well as paper rate savings based on our purchasing strategy.

RESULTS OF OPERATIONS

The following table presents our results of operations by segment for the periods indicated and the change from period to period (in thousands).

Operating income (loss) is calculated before the provision for impairment of intangible assets and goodwill. The following table summarizes our results of operations by segment based on this calculation. Operating income (loss) before the provision for impairment of intangible assets and goodwill are not measures of financial performance in accordance with GAAP. You should not consider them as alternatives to net income (loss) as a measure of operating performance. Our calculations of operating income (loss) herein may be different from the calculations used by other companies and therefore comparability may be limited. We present operating income (loss) before the provision for impairment of intangible assets and goodwill to provide a consistent and comparable measure of our operating income (loss) for the periods indicated below due to the significant fluctuations in the impairment provision between such periods.

	For the Fiscal Quarter Ended		Fiscal Quarter ended June 30, 2010 vs June 30, 2009	
	June 30, 2010	June 30, 2009		
Operating Revenue				
Celebrity Publications	$ 25,044	$ 27,132	$ (2,088)	-7.7%
Tabloid Publications	31,758	32,860	$ (1,102)	-3.4%
Women's Health and Fitness Publications	17,110	13,847	$ 3,263	23.6%
Distribution Services	6,823	7,076	$ (253)	-3.6%
Corporate/Other	19,753	24,389	$ (4,636)	-19.0%
Intersegment Eliminations	(1,976)	(2,208)	$ 232	-10.5%
Total Operating Revenue	$ 98,512	$ 103,096	$ (4,584)	-4.4%
Operating Income (Loss) before Provision for Impairment of Intangible Assets and Goodwill (1)				
Celebrity Publications	$ 7,736	$ 6,809	$ 927	13.6%
Tabloid Publications	15,196	15,026	$ 170	1.1%
Women's Health and Fitness Publications	4,144	2,523	$ 1,621	64.2%
Distribution Services	1,107	1,101	$ 6	0.5%
Corporate/Other	(5,361)	(4,388)	$ (973)	22.2%
Total Operating Income before Provision for Impairment of Intangible Assets and Goodwill	$ 22,822	$ 21,071	$ 1,751	8.3%
Provision for Impairment of Intangibles Assets and Goodwill	-	(17,595)	17,595	-100.0%
Operating Income	$ 22,822	$ 3,476	$ 19,346	556.6%

(1) Operating income before provision for impairment of intangible assets and goodwill for the fiscal quarter ended June 30, 2009 excludes impairment losses for tradenames and goodwill of $17.6 million for the Women's Health and Fitness Publications segment. For a detailed description of this impairment charge, see Note 2 to the Consolidated Financial Statements included in the March 31, 2010 Annual Report.

Comparison of *Fiscal Quarter Ended June 30, 2010 vs. Fiscal Quarter Ended June 30, 2009*

Operating Revenue

Total operating revenue was $98.5 million and $103.1 million for the fiscal quarters ended June 30, 2010 and 2009, respectively, representing a decrease in revenue of $4.6 million, or 4.4%. This revenue reduction of 4.4% was caused by the continuing softness in the U.S. economy which impacted newsstand sales in the Celebrity and Tabloid segments. In addition, our nutritional sport supplement advertising continued to be negatively impacted due to regulatory issues on two diet products that have been resolved and advertising should resume in our third quarter. These items were partially offset by an increase in advertising pages in our Celebrity and Women's Health and Fitness Publications segments as well as an increase in publishing services revenue in our Corporate/Other segment.

Our newsstand revenue is derived from sales of newsstand copies distributed by our three primary wholesalers, which we estimate represented 81% of the newsstand magazine fulfillment market. There are several smaller wholesalers who represent the remaining 19% of the market. In the fiscal quarters ended June 30, 2010 and 2009, two and three wholesalers account for greater than 10% of our total operating revenue, respectively. We have service agreements with these wholesalers, which provide incentives to maintain certain levels of service. Our operating results could be materially affected by disruption of the distribution of our magazines through the wholesalers.

Operating Expense

Total operating expense, before the non-cash provision for impairment of intangible assets and goodwill, was $75.7 million and $82.0 million for the fiscal quarters ended June 30, 2010 and 2009, respectively, representing a decrease of $6.3 million, or 7.7%. This reduction is primarily due to a decrease in production expenses due to implementation of our management action plan.

In addition, we recorded a provision for impairment of intangible assets and goodwill of $17.6 million for the fiscal quarter ended June 30, 2009. This non-cash impairment charge resulted in operating expenses totaling $99.6 million for the fiscal quarter ended June 30, 2009. There was no provision for impairment charges for the fiscal quarter ended June 30, 2010.

Income Taxes

We recorded a $1.8 million income tax provision for the fiscal quarter ended June 30, 2010. This expense is primarily due to a domestic tax provision of $1.6 million and a foreign tax provision of $0.2 million. The income tax expense for the quarter ended June 30, 2010 is primarily related to tax amortization of indefinite-lived intangible assets. We recorded a $2.0 million income tax benefit for the fiscal quarter ended June 30, 2009. This benefit is primarily due to a domestic tax benefit of $2.2 million, partially offset by a foreign tax provision of $0.2 million.

The operating income (loss) discussions below for each of our segments reflect amounts before provision for impairment of intangible assets and goodwill that was recorded in the fiscal quarter ended June 30, 2009.

Celebrity Publications Segment

Operating Revenue

Total operating revenue in the Celebrity Publications segment was $25.0 million for the fiscal quarter ended June 30, 2010, representing a decrease of $2.1 million, or 7.7%, from the prior year. This reduction in revenue was primarily attributable to reduced *Star* newsstand sales caused by reduced consumer spending. This was partially offset by increased ad volume in *Star* ($0.6 million) and subscription revenue in *Country Weekly* due to our strategy to reintroduce subscriptions in April 2010.

Operating Income

Operating income in the Celebrity Publications segment increased in the fiscal quarter ended June 30, 2010 from prior year by $0.9 million, or 13.6%, to $7.7 million. This was primarily attributable to reductions in manufacturing costs of $3.3 million as a result of a reduction in *Star's* book size and rate base. This was partially offset by the 7.7% revenue decline.

Tabloid Publications Segment

Operating Revenue

Total operating revenue in the Tabloid Publications segment was $31.8 million for the fiscal quarter ended June 30, 2010, representing a decrease of $1.1 million, or 3.4%, from prior year. This revenue decline was attributable to lower newsstand sales for *Globe* ($0.9 million) and *National Enquirer* ($0.6 million) due to reduced consumer spending. These items were partially offset by a cover price increase of *National Enquirer* and *Globe* of 8% and higher subscription revenue for the *National Enquirer* of $0.4 million.

Operating Income

Operating income in the Tabloid Publications segment increased in the fiscal quarter ended June 30, 2010 from prior year by $0.2 million, or 1.1%, to $15.2 million. This increase was primarily attributable to lower manufacturing costs due to *National Enquirer's* rate base reduction of 17%. This was partially offset by the 3.4% operating revenue decline.

Women's Health and Fitness Publications Segment

Operating Revenue

Total operating revenue in the Women's Health and Fitness Publications segment was $17.1 million for the fiscal quarter ended June 30, 2010, representing an increase of $3.3 million, or 23.6%, from prior year. This was primarily attributable to a $3.7 million increase in *Shape's* advertising revenue.

Operating Income

Operating income in the Women's Health and Fitness Publications segment increased in the fiscal quarter ended June 30, 2010 from prior year by $1.6 million, or 64.2%, to $4.1 million. This increase was caused by higher ad volume for *Shape*. This increase was partially offset by higher production expenses associated with *Shape's* increased book size.

Distribution Services Segment

Operating Revenue

Total operating revenue in the Distribution Services segment was $4.8 million, net of eliminations, for the fiscal quarter ended June 30, 2010, representing a decrease of $21 thousand, or 0.4% from prior year.

Operating Income

Operating income in the Distribution Services segment was $1.1 million in the fiscal quarter ended June 30, 2010 representing an increase of 0.5% from prior year.

Corporate/Other Segment

Operating Revenue

Total operating revenue in the Corporate/Other segment was $19.8 million for the fiscal quarter ended June 30, 2010, representing a decrease of $4.6 million, or 19.0%, from prior year. This reduction was attributable to the following:

- one less issue of *Natural Health* ($0.6 million less revenue) and *Men's Fitness* ($1.5 million less revenue) published during the three months ended June 30, 2010 as compared to prior year;
- the *Michael Jackson* special issue that was published during the three months ended June 30, 2009 ($1.5 million less revenue compared to prior year); and
- a decrease in *Muscle & Fitness* advertising revenue of $1.3 million.

These items were partially offset by higher publishing services revenues of $1.0 million.

Operating Loss

Operating loss increased by $1.0 million in the fiscal quarter ended June 30, 2010, from the prior year period, or 22.2%, to $5.4 million. This increase is primarily due to reduced operating revenues mentioned above. The operating loss was partially offset by the expense savings related to the three less issues mentioned above, lower manufacturing costs due to reduced book sizes in *Muscle & Fitness* and the increase in publishing services revenue.

LIQUIDITY AND CAPITAL RESOURCES

Our primary sources of liquidity are cash generated from operations, cash on hand and amounts available to be borrowed under our 2009 Credit Agreement. See Note 6, "Credit Agreement," in the Notes to Unaudited Condensed Consolidated Financial Statements included in Item 1 of Part I herein.

As of June 30, 2010, we had cash and cash equivalents of $4.6 million, $10.0 million outstanding under our Revolving Facility, and a working capital deficit of $50.4 million. The increase in working capital deficit of $2.6 million from $47.8 million at March 31, 2010 primarily resulted from: (i) a $2.0 million decrease in cash and cash equivalents, (ii) a $1.0 million decrease in prepaid expenses, and (iii) a $0.6 million increase in the current portion of long-term debt. These items were partially offset by a $0.9 million decrease in deferred revenue.

We currently believe that available funds and cash flows generated by operations will be sufficient to fund our working capital and capital expenditure requirements for at least the next 12 months. We believe that available cash at June 30, 2010 and amounts available under our Revolving Facility will mitigate future possible cash flow requirements. To the extent we make future acquisitions, we may require new sources of funding, including additional debt, equity financing or some combination thereof. There can be no assurances that we will be able to secure additional sources of funding or that such additional sources of funding will be available to us on acceptable terms.

At June 30, 2010, our outstanding indebtedness totaled $828.7 million, of which $441.7 million represented borrowings under the 2009 Credit Agreement, $7.5 million represented the remaining principal amount of the 8-7/8% Senior Subordinated Notes due 2011 (the "2011 Notes"), $23.7 million represented the principal amount of the outstanding 9% Senior PIK Notes due 2013 ("Senior PIK Notes") and $355.8 million represented the principal amount of the outstanding 14% Senior Subordinated Notes due 2013 ("Senior Subordinated Notes"). The accompanying Unaudited Condensed Consolidated Balance Sheet included in Item 1 of Part I herein includes $175.2 million in future interest payments on the Notes reflected in the carrying amount of our Senior Subordinated Indebtedness. See "Risk Factors" in our March 31, 2010 Annual Report for risks associated with our indebtedness.

Cash Flows

Net cash provided by operating activities was $11.8 million for the fiscal quarter ended June 30, 2010, as compared to net cash provided by operating activities of $8.8 million for the fiscal quarter ended June 30, 2009. During the fiscal quarter ended June 30, 2010, net cash provided by operating activities was primarily attributable to: (i) $7.4 million in net income, (ii) $4.7 million of non-cash expenses (excluding amortization of deferred rack costs) primarily due to a $1.4 million deferred income tax provision, $1.0 million amortization of deferred debt costs and $1.5 million depreciation and amortization, and (iii) a $1.0 million decrease in prepaid expenses and other current assets. These items were partially offset by: (i) a $1.2 million net increase in deferred rack costs, and (ii) a $0.9 million decrease in deferred revenue.

During the fiscal quarter ended June 30, 2009, net cash provided by operating activities was primarily attributable to: (i) $18.6 million of non-cash expenses (excluding amortization of deferred rack costs) primarily due to a $17.6 million provision for impairment of intangible assets and goodwill, (ii) a $5.7 million decrease in trade receivables, (iii) a $1.4 million increase in accounts payable, and (iv) a $0.7 million decrease in prepaid expenses and other current assets. These items were partially offset by: (i) an $8.3 million net loss, (ii) a $4.0 million decrease in accrued interest primarily due to timing of interest payments related to the Term Facility and retirement of the 10 ¼% Series B Senior Subordinated Notes due 2009 (the "2009 Notes") on May 1, 2009, (iii) a $3.1 million decrease in deferred revenues, (iv) a $1.1 million net increase in deferred rack costs, (v) a $0.6 million increase in inventories and (vi) a $0.4 million decrease in accrued expenses.

Net cash used in investing activities was $1.6 million for the fiscal quarter ended June 30, 2010 as compared to $2.0 million for the fiscal quarter ended June 30, 2009. Net cash used in investing activities for the fiscal quarter ended June 30, 2010 was primarily attributable to $1.3 million for purchases of property and equipment and $0.3 million related to the investment in Mr. Olympia, LLC. Net cash used in investing activities for the fiscal quarter ended June 30, 2009 was primarily attributable to $1.7 million for purchases of property and equipment and $0.3 million related to the investment in Mr. Olympia, LLC.

Net cash used in financing activities was $12.1 million for the fiscal quarter ended June 30, 2010, as compared to $15.5 million for the fiscal quarter ended June 30, 2009. Net cash used in financing activities for the fiscal quarter ended June 30, 2010 primarily consisted of a repayment of $26.0 million and borrowings of $15.0 million on the Revolving Facility, as well as a required quarterly principal payment on the Term Facility of $1.1 million. Net cash used in financing activities for the fiscal quarter ended June 30, 2009 primarily consisted of a $14.0 million payment to retire the aggregate principal amount of outstanding 2009 Notes, a $1.1 million required quarterly principal payment on the Term Facility and $0.4 million payment relating to debt costs.

Credit Agreement and Subordinated Indebtedness

On December 31, 2008, we entered into the 2009 Credit Agreement, which replaced the then existing 2006 Credit Agreement. The 2009 Credit Agreement became effective on January 30, 2009 (the "Effective Date"). The 2009 Credit Agreement includes the Revolving Facility and the Term Facility. The Revolving Facility matures in January 2012 and the Term Facility matures in January 2013.

During the fiscal quarter ended June 30, 2010, we made the required quarterly principal payment on our Term Facility of $1.1 million and paid down $26.0 million and borrowed $15.0 million on our Revolving Facility. The balance of the Term Facility and the Revolving Facility under the 2009 Credit Agreement was $431.7 million and $10.0 million respectively, on June 30, 2010. The Revolving Facility had $50.0 million available to be borrowed as of June 30, 2010.

The 2009 Credit Agreement requires us to pay, from the Effective Date until the termination of commitments under the Revolving Facility, a commitment fee equal to 1.0% of the unused portion of the revolving commitments. Commitment fee payments during the fiscal quarter ended June 30, 2010 were approximately $0.1 million. Commitment fee payments during the fiscal quarter ended June 30, 2009 were insignificant as the revolving commitments were almost fully drawn during the entire three months.

The effective weighted-average interest rate under the 2009 Credit Agreement, including amounts borrowed under the Term Facility and Revolving Facility, as of June 30, 2010 and 2009, was 10.0%.

The 2009 Credit Agreement includes certain representations and warranties, conditions precedent, affirmative covenants, negative covenants and events of default customary for agreements of this type. The negative covenants include financial maintenance covenants comprised of a leverage ratio, a senior secured leverage ratio, a consolidated interest expense coverage ratio, and capital expenditure limits. The 2009 Credit Agreement also contains certain covenants that, subject to certain exceptions, restrict paying dividends, incurring additional indebtedness, creating liens, making acquisitions or other investments, entering into certain mergers or consolidations and selling or otherwise disposing of assets. The 2009 Credit Agreement includes a broadening from the 2006 Credit Agreement of the circumstances that would give rise to prepayment of the loans and the introduction of more restrictive covenants, particularly relating to indebtedness, investments, restricted payments and capital expenditures. As of June 30, 2010, we are in compliance with all financial covenants under the 2009 Credit Agreement.

Although there can be no assurances, the Company anticipates that, based on current projections (including projected borrowings and repayments under the Revolving Facility), its operating results for fiscal year 2011 will be sufficient to satisfy the financial covenants under the 2009 Credit Agreement. The Company's ability to satisfy such financial covenants is dependent on its business performing in accordance with its projections. If the performance of the Company's business deviates from its projections, the Company may not be able to satisfy such financial covenants, including the senior secured leverage ratio. The Company's projections are subject to a number of factors, many of which are events beyond its control, which could cause the Company's actual results to differ materially from its projections. If the Company does not comply with these or other covenants and restrictions contained in the 2009 Credit Agreement, the Company would default under the 2009 Credit Agreement. The outstanding debt under the 2009 Credit Agreement would then be declared immediately due and payable. Moreover, the instruments governing almost all of the Company's other debt contain cross-acceleration provisions so that an acceleration under any of the Company's debt will result in a default under the Company's other debt. If a cross-acceleration occurs, the maturity of the Company's other debt would be accelerated and become immediately due and payable.

Calculations of the leverage ratio, senior secured leverage ratio and consolidated interest expense coverage ratio in the 2009 Credit Agreement utilize Debt Covenant EBITDA. The following table summarizes Debt Covenant EBITDA for the fiscal quarters and twelve months ended June 30, 2010 and 2009, respectively. "Debt Covenant EBITDA" is defined as Adjusted EBITDA further adjusted for gains or costs related to closures or re-launches of publications, restructuring costs and severance, professional fees, management fees and other one-time costs. Debt Covenant EBITDA is used in calculating covenant compliance under the 2009 Credit Agreement and was used in calculating covenant compliance under the Company's 2006 Credit Agreement. Adjusted EBITDA and Debt Covenant EBITDA are not measures of financial performance in accordance with GAAP. You should not consider them as alternatives to net income (loss) as a measure of operating performance. Our calculations of Adjusted EBITDA and Debt Covenant EBITDA may be different from the calculations used by other companies and therefore comparability may be limited. We present Adjusted EBITDA to provide additional information regarding our performance and because it is a measure by which we gauge our profitability. In addition, information concerning Debt Covenant EBITDA is being presented because it reflects important components included in the financial covenants of the 2009 Credit Agreement and 2006 Credit Agreement.

	For the Three Months Ended June 30,		For the Twelve Months Ended June 30,	
	2010	2009	2010	2009
Net income (loss)	$ 7,397	$ (8,279)	$ 18,894	$ (191,990)
Add (deduct):				
Interest expense	12,690	12,696	50,595	74,454
Provision (benefit) for income taxes	1,780	(2,048)	26,584	(35,118)
Depreciation and amortization	1,527	1,716	6,444	8,577
Amortization of deferred debt costs	959	1,109	3,743	8,212
Amortization of deferred rack costs	1,804	1,724	5,972	10,000
Amortization of short-term racks	1,050	976	4,083	3,699
Provision for impairment of intangible assets and goodwill	-	17,595	-	234,945
Gain on extinguishment of debt	-	-	-	(4,858)
Adjusted EBITDA	$ 27,207	$ 25,489	$ 116,315	$ 107,921
Add (deduct):				
Costs (gains) related to closures and re-launch of publications	-	-	-	67
Restructuring costs and severance (a)	-	-	-	3,247
Professional fees	-	-	-	(31)
Management fees	-	-	-	500
Other	-	-	(610)	1,250
Debt Covenant EBITDA	$ 27,207	$ 25,489	$ 115,705	$ 112,954

Our Senior PIK Notes are unsecured senior obligations and are effectively subordinated to all of our existing and future secured debt, including obligations under the 2009 Credit Agreement. The Senior PIK Notes will mature on May 1, 2013. Interest on the Senior PIK Notes accrues at the rate of 9% per annum based upon the outstanding principal amount. The 2009 Credit Agreement prohibits the payment of cash interest on the Senior PIK Notes.

Our Senior Subordinated Notes are unsecured senior subordinated obligations and are subordinated in right of payment to our existing and future senior debt, including obligations under the 2009 Credit Agreement and the Senior PIK Notes. The Senior Subordinated Notes will mature on November 1, 2013. Interest on the Senior Subordinated Notes accrues at the rate of 14% per annum based upon the outstanding principal amount of the Senior Subordinated Notes (with (i) 10% per annum payable in cash, (ii) 2% per annum payable, at our option, either in cash or by the issuance of additional Senior Subordinated Notes, and (iii) 2% per annum payable (x) in cash when our Excess Cash Flow (as defined in the 2009 Credit Agreement) for the most recently completed fiscal year ended prior to an interest payment date is greater than $27.5 million and (y) at our option, either in cash or by the issuance of additional Senior Subordinated Notes when our Excess Cash Flow for the most recently completed fiscal year ended prior to an interest payment date is less than or equal to $27.5 million).

Interest on the Notes is payable semi-annually in arrears on May 1 and November 1 of each year.

Pursuant to the indenture governing the Senior Subordinated Notes, beneficial owners of the Senior Subordinated Notes, who together beneficially owned more than 75% in aggregate principal amount of the outstanding Senior Subordinated Notes, consented on behalf of all holders of the Senior Subordinated Notes that the $23.7 million interest payment, including $16.6 million of cash interest due May 1, 2010 be deferred until June 21, 2010.

Although interest with respect to the Senior Subordinated Notes is payable at a rate of 10% per annum in cash and 4% per annum in the form of additional Senior Subordinated Notes, in accordance with the terms of the indenture governing the Senior Subordinated Notes and at the request of the requisite holders of Senior Subordinated Notes, the full amount of the May 1, 2010 interest payment was paid entirely in the form of additional Senior Subordinated Notes on June 21, 2010.

As of June 30, 2010, our total principal amount of senior subordinated debt was approximately $387.0 million, consisting of $7.5 million principal amount of 2011 Notes, $23.7 million principal amount of Senior PIK Notes and $355.8 million principal amount of Senior Subordinated Notes. The accompanying Unaudited Condensed Consolidated Balance Sheet includes $175.2 million in future interest payments on the Notes reflected in the carrying amount of the Company's Senior Subordinated Indebtedness. Therefore, the Company does not recognize interest expense on the Notes.

For a further description of the 2009 Credit Agreement, the Notes, and the 2011 Notes and the 2009 Notes, see "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the March 31, 2010 Annual Report.

Recent Accounting Pronouncements

In October 2009, the FASB issued Accounting Standards Update ("ASU") No. 2009–13, "*Multiple–Deliverable Revenue Arrangements*" ("ASU 2009–13"). ASU 2009–13 amends existing revenue recognition accounting pronouncements that are currently within the scope of FASB ASC Subtopic 605-25. The Emerging Issues Task Force Issue No. 08–1, "*Revenue Arrangements with Multiple Deliverables*", provides accounting principles and application guidance on whether multiple deliverables exist, how the arrangement should be separated, and the consideration allocated. This guidance eliminates the requirement to establish the fair value of undelivered products and services and also eliminates the residual method of allocating arrangement consideration. The new guidance provides for separate revenue recognition based upon management's estimate of the selling price for an undelivered item when there is no other means to determine the fair value of that undelivered item. Under the previous guidance, if the fair value of all of the elements in the arrangement was not determinable, then revenue was deferred until all of the items were delivered or fair value was determined. This new approach is effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010. We are currently assessing the impact of the adoption of this new guidance on our results of operations, financial position, cash flows and disclosures.

In January 2010, the FASB issued ASU No. 2010-06, "*Improving Disclosures about Fair Value Measurements"* ("ASU 2010-06"). ASU 2010-06 amends the Fair Value Measurements and Disclosures Topic to require additional disclosures regarding fair value measurements. The amended guidance requires entities to disclose additional information regarding assets and liabilities that are transferred between levels of the fair value hierarchy. Entities are also required to disclose information in the Level 3 rollforward about purchases, sales, issuances and settlements on a gross basis. In addition to these new disclosure requirements, ASU 2010-06 clarifies existing guidance pertaining to the level of disaggregation at which fair value disclosures should be made and the requirements to disclose information about the valuation techniques and inputs used in estimating Level 2 and Level 3 fair value measurements. The guidance in ASU 2010-06 is effective for interim and annual reporting periods beginning after December 15, 2009, except for the requirement to separately disclose purchases, sales, issuances and settlements in the Level 3 rollforward, which becomes effective for fiscal years (and for interim periods within those fiscal years) beginning after December 15, 2010. Our adoption of ASU 2010-06, effective January 1, 2010, did not have a material impact on our results of operations, financial position, cash flows and disclosures. We do not expect the deferred portion of the adoption of ASU 2010-06 to have a material impact on our results of operations, financial position, cash flows and disclosures.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

During the fiscal quarter ended June 30, 2010, there were no significant changes related to the Company's market risk exposure since March 31, 2010.

Item 4. Controls and Procedures

Item omitted as permitted pursuant to the terms of Section 4.03 of each of the Indentures.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

On March 10, 2009, Anderson News, L.L.C. and Anderson Services, L.L.C., magazine wholesalers (collectively, "Anderson"), filed a lawsuit against the Company's parent, American Media, Inc. ("Media"), DSI, and various magazine publishers, wholesalers and distributors in the Federal District Court for the Southern District of New York (the "Anderson Action"). Anderson's complaint alleged that the defendants violated Section 1 of the Sherman Act by engaging in a purported industry-wide conspiracy to boycott Anderson and drive it out of business. Plaintiffs also purported to assert claims for defamation, tortious interference with contract, and civil conspiracy. The complaint did not specify the amount of damages sought. On August 2, 2010, the District Court dismissed the complaint in its entirety with prejudice and without leave to replead. While it is not possible to predict with certainty the final outcome of an appeal, if any, of the Anderson Action or to estimate the impact of such appeal on us, Media and DSI will continue to vigorously defend the case.

In addition, because the focus of some of the Company's publications often involves celebrities and controversial subjects, the risk of defamation or invasion of privacy litigation exists. The Company's experience indicates that the claims for damages made in such lawsuits are usually inflated and the lawsuits are usually defensible and, in any event, any reasonably foreseeable material liability or settlement would likely be covered by insurance.

The Company periodically evaluates and assesses the risks and uncertainties associated with litigation disregarding the existence of insurance that would cover liability for such litigation. At present, in the opinion of management, after consultation with outside legal counsel, the liability resulting from such litigation, even if insurance was not available, is not expected to have a material effect on the Company's Unaudited Condensed Consolidated Financial Statements included in Item 1 of Part I herein.

Item 1A. Risk Factors

There have been no material changes to the Company's risk factors, as previously disclosed in the March 31, 2010 Annual Report in response to Item 1A of Part I thereof, during the fiscal quarter ended June 30, 2010.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Item omitted as permitted pursuant to the terms of Section 4.03 of each of the Indentures.

Item 4. [Removed and Reserved]

Item 5. Other Information

Reference is made to Item1A, "Risk Factors – Pending and Future Litigation or Regulatory Proceedings Could Materially Affect Our Operations," in the March 31, 2010 Annual Report. We have been advised by the Securities and Exchange Commission that it has decided to terminate immediately our document preservation obligations relating to the informal inquiry in connection with the restatement of our financial statements for the fiscal year ended March 31, 2005, and the fiscal quarters ended June 30, 2005 and September 30, 2005.

Item 6. Exhibits

Item omitted as permitted pursuant to the terms of Section 4.03 of each of the Indentures.

Exhibit F

Quarterly Financial Statements

AMERICAN MEDIA OPERATIONS, INC. AND SUBSIDIARIES
INDEX TO QUARTERLY REPORT
June 30, 2010

		Page(s)
CAUTIONARY STATEMENT IDENTIFYING IMPORTANT FACTORS THAT COULD CAUSE THE COMPANY'S ACTUAL RESULTS TO DIFFER FROM THOSE PROJECTED IN FORWARD-LOOKING STATEMENTS		3
	PART I. FINANCIAL INFORMATION	
Item 1.	**Financial Statements**	
	Unaudited Condensed Consolidated Balance Sheets as of June 30, 2010 and as of March 31, 2010	4
	Unaudited Condensed Consolidated Statements of Income (Loss) for the Fiscal Quarters Ended June 30, 2010 and June 30, 2009	5
	Unaudited Condensed Consolidated Statements of Cash Flows for the Fiscal Quarters Ended June 30, 2010 and June 30, 2009	6
	Notes to Unaudited Condensed Consolidated Financial Statements	7
Item 2.	**Management's Discussion and Analysis of Financial Condition and Results of Operations**	20
Item 3.	**Quantitative and Qualitative Disclosures about Market Risk**	27
Item 4. *	**Controls and Procedures**	27
	PART II. OTHER INFORMATION	
Item 1.	**Legal Proceedings**	27
Item 1A.	**Risk Factors**	28
Item 2. *	**Unregistered Sales of Equity Securities and Use of Proceeds**	28
Item 4. *	**[Removed and Reserved]**	28
Item 5.	**Other Information**	28
Item 6. *	**Exhibits**	28

* These items were omitted (or partially omitted) as permitted pursuant to the terms of Section 4.03 of each of the Indentures dated as of January 30, 2009 pursuant to which our 9% Senior PIK Notes due 2013 and our 14% Senior Subordinated Notes due 2013 were issued.

CAUTIONARY STATEMENT IDENTIFYING IMPORTANT FACTORS THAT COULD CAUSE THE COMPANY'S ACTUAL RESULTS TO DIFFER FROM THOSE PROJECTED IN FORWARD-LOOKING STATEMENTS

Unless the context otherwise requires, references in this Quarterly Report for the quarterly period ended June 30, 2010 (this "Quarterly Report") to the "Company" or "us," "we" or "our" are to American Media Operations, Inc. and its subsidiaries. In connection with the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, readers of this Quarterly Report are advised that this Quarterly Report contains both statements of historical facts and forward-looking statements. Forward-looking statements are subject to certain risks and uncertainties, which could cause our actual results to differ materially from those indicated by the forward-looking statements. Examples of forward-looking statements include, but are not limited to: (i) projections of revenues, income or loss, capital expenditures, capital structure and other financial items, (ii) statements regarding our plans and objectives, including planned introductions of new publications or other products, or estimates or predictions of actions by customers, advertisers, suppliers, competitors or regulatory authorities, (iii) statements of future economic performance, (iv) outcomes of contingencies such as legal or any regulatory proceedings, and (v) statements of assumptions underlying other statements and statements about our business.

Factors that could affect our actual results include the following:

- our high degree of leverage and significant debt service obligations;
- our ability to attract and retain experienced and qualified personnel;
- our ability to implement our business strategy;
- changes in discretionary consumer spending patterns;
- changes in general economic and business conditions, both nationally and internationally, which can influence the overall demand for our services and products by our customers and advertisers, affecting the readership level of our publications as well as advertising and circulation revenue;
- increased competition, including price competition and competition from other publications and other forms of media, such as television, radio and digital sites concentrating on celebrity news and health and fitness;
- changes in the price of fuel, paper, ink and postage costs;
- any loss of one or more of our key vendors or key advertisers;
- adverse results in litigation matters or any regulatory proceedings; and
- our ability to maintain an effective system of internal controls over financial reporting.

For a further discussion of risk factors which could cause actual results to differ materially from those indicated by the forward-looking statements, see Item 1A, "Risk Factors," in our Annual Report for the fiscal year ended March 31, 2010 (the "March 31, 2010 Annual Report"). Any written or oral forward-looking statements made by us or on our behalf are subject to these factors. Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking statements prove incorrect, actual results, performance or achievements may vary materially from those described in this Quarterly Report as intended, planned, anticipated, believed, estimated or expected. The risk factors included in the March 31, 2010 Annual Report are not necessarily all of the important factors that could cause actual results to differ materially from those expressed in any of our forward-looking statements. Other unknown or unpredictable factors could also harm our future results. Given these uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements.

The forward-looking statements included in this Quarterly Report are made only as of the date of this Quarterly Report. We do not intend, and do not assume any obligations, to update these forward looking statements, except as required by law.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

AMERICAN MEDIA OPERATIONS, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except share information)

ASSETS	June 30, 2010	March 31, 2010
CURRENT ASSETS:		
Cash and cash equivalents	$ 4,568	$ 6,606
Trade receivables, net of allowance for doubtful accounts of $5,292 and $5,359, respectively	48,830	48,503
Inventories	13,905	13,448
Prepaid expenses and other current assets	19,238	20,232
Total current assets	86,541	88,789
PROPERTY AND EQUIPMENT, NET:		
Leasehold improvements	1,824	1,824
Furniture, fixtures and equipment	33,068	31,799
Less – accumulated depreciation	(27,897)	(27,129)
Total property and equipment, net	6,995	6,494
OTHER ASSETS:		
Deferred debt costs, net	9,979	10,938
Deferred rack costs, net	9,654	8,461
Other long-term assets	3,382	3,257
Total other assets	23,015	22,656
GOODWILL AND OTHER IDENTIFIED INTANGIBLE ASSETS:		
Goodwill	230,885	230,885
Other identified intangibles, net of accumulated amortization of $105,441 and $104,786, respectively	270,980	271,635
Total goodwill and other identified intangible assets	501,865	502,520
TOTAL ASSETS	$ 618,416	$ 620,459
LIABILITIES AND STOCKHOLDER'S DEFICIT		
CURRENT LIABILITIES:		
Term loan	$ 4,500	$ 4,500
Senior subordinated notes, net (including $32.6 million and $32.0 million in future interest payments as of June 30, 2010 and March 31, 2010 - See Note 7)	40,102	39,458
Accounts payable	16,168	15,679
Accrued expenses and other liabilities	38,809	38,555
Accrued interest	1,331	1,433
Deferred revenues	36,075	36,929
Total current liabilities	136,985	136,554
NON-CURRENT LIABILITIES:		
Term loan and revolving credit facility	437,246	449,371
Senior subordinated notes, net (including $142.6 million and $166.4 million in future interest payments as of June 30, 2010 and March 31, 2010 - See Note 7)	522,059	521,151
Other non-current liabilities	9,160	9,083
Deferred income taxes	84,012	82,734
Total liabilities	1,189,462	1,198,893
COMMITMENTS AND CONTINGENCIES (Note 8)		
STOCKHOLDER'S DEFICIT:		
Common stock, $0.0001 par value; 7,500,000 shares authorized; 6,284,360 shares issued and outstanding	1	1
Additional paid-in capital	282,747	282,747
Accumulated deficit	(853,605)	(861,002)
Accumulated other comprehensive loss	(189)	(180)
Total stockholder's deficit	(571,046)	(578,434)
TOTAL LIABILITIES AND STOCKHOLDER'S DEFICIT	$ 618,416	$ 620,459

The accompanying Notes to the Unaudited Condensed Consolidated Financial Statements are an integral part of these Unaudited Condensed Consolidated Financial Statements.

AMERICAN MEDIA OPERATIONS, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF INCOME (LOSS)
(in thousands)

	Fiscal Quarter Ended	
	June 30, 2010	June 30, 2009
OPERATING REVENUES:		
Circulation	$ 57,671	$ 64,112
Advertising	33,739	32,599
Other	7,102	6,385
Total operating revenues	98,512	103,096
OPERATING EXPENSES:		
Editorial	11,083	11,222
Production	26,240	31,706
Distribution, circulation and other cost of sales	17,404	18,468
Selling, general and administrative	19,436	18,913
Depreciation and amortization	1,527	1,716
Provision for impairment of intangible assets and goodwill	-	17,595
Total operating expenses	75,690	99,620
OPERATING INCOME	22,822	3,476
OTHER (EXPENSE) INCOME:		
Interest expense	(12,690)	(12,696)
Amortization of deferred debt costs	(959)	(1,109)
Other income, net	4	2
Total other expense	(13,645)	(13,803)
INCOME (LOSS) BEFORE PROVISION (BENEFIT) FOR INCOME TAXES	9,177	(10,327)
PROVISION (BENEFIT) FOR INCOME TAXES	1,780	(2,048)
NET INCOME (LOSS)	7,397	(8,279)
LESS: NET INCOME ATTRIBUTABLE TO THE NONCONTROLLING INTEREST	-	-
NET INCOME (LOSS) ATTRIBUTABLE TO AMERICAN MEDIA OPERATIONS, INC. AND SUBSIDIARIES	$ 7,397	$ (8,279)

The accompanying Notes to the Unaudited Condensed Consolidated Financial Statements are an integral part of these Unaudited Condensed Consolidated Financial Statements.

AMERICAN MEDIA OPERATIONS, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Fiscal Quarter Ended	
	June 30, 2010	June 30, 2009
Cash Flows from Operating Activities:		
Net income (loss)	$ 7,397	$ (8,279)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation of property and equipment	872	748
Amortization of other identified intangibles	655	968
Provision for impairment of intangible assets and goodwill	-	17,595
Provision for bad debts	206	515
Amortization of deferred debt costs	959	1,109
Amortization of deferred rack costs	1,804	1,724
Provision for excess and obsolete inventory	1	222
Deferred income tax provision (benefit)	1,357	(2,470)
Other	683	(53)
(Increase) decrease in operating assets:		
Trade receivables	(533)	5,689
Inventories	(458)	(634)
Prepaid expenses and other current assets	994	650
Deferred rack costs	(2,997)	(2,794)
Other long-term assets	(118)	(228)
Increase (decrease) in operating liabilities:		
Accounts payable	489	1,420
Accrued expenses and other liabilities	449	(447)
Accrued interest	674	(3,987)
Deferred revenues	(854)	(3,078)
Other non-current liabilities	173	156
Total adjustments and changes in operating assets and liabilities	4,356	17,105
Net cash provided by operating activities	11,753	8,826
Cash Flows from Investing Activities:		
Purchases of property and equipment	(1,347)	(1,681)
Proceeds from sale of assets	20	24
Investment in Mr. Olympia, LLC	(300)	(300)
Net cash used in investing activities	(1,627)	(1,957)
Cash Flows from Financing Activities:		
Term loan and revolving credit facility principal repayments	(27,125)	(1,125)
Payment to retire subordinated indebtedness	-	(14,025)
Proceeds from revolving credit facility	15,000	-
Payment of debt costs	-	(382)
Net cash used in financing activities	(12,125)	(15,532)
Effect of exchange rate changes on cash	(39)	170
Net Decrease in Cash and Cash Equivalents	(2,038)	(8,493)
Cash and Cash Equivalents, Beginning of Period	6,606	18,995
Cash and Cash Equivalents, End of Period	$ 4,568	$ 10,502
Supplemental Disclosures of Non-Cash Activities Information:		
Non-cash debt costs (incurred but not paid)	$ 173	$ 231
Non-cash property and equipment (incurred but not paid)	$ 107	$ 873
Non-cash portion of debt issuance	$ 24,727	$ 11,090

The accompanying Notes to the Unaudited Condensed Consolidated Financial Statements are an integral part of these Unaudited Condensed Consolidated Financial Statements.

(1) Basis of Presentation

The Unaudited Condensed Consolidated Financial Statements include the accounts of American Media Operations, Inc. and its subsidiaries (collectively, the "Company"). The Company is a wholly owned subsidiary of American Media, Inc. ("Media"). The Company consolidates all majority owned subsidiaries and investments in entities in which it has a controlling influence. Non-majority owned investments are accounted for using the equity method when the Company has the ability to significantly influence the operating decisions of the issuer. When the Company does not have the ability to significantly influence the operating decisions of an issuer, the cost method is used. All intercompany accounts and transactions have been eliminated in consolidation.

In the opinion of management, the accompanying Unaudited Condensed Consolidated Financial Statements reflect all normal and recurring adjustments which are necessary for a fair presentation of the Company's financial position, results of operations, and cash flows as of the dates and for the periods presented. The Company has evaluated all subsequent events through August 19, 2010, which is the date this Quarterly Report was available to be issued. The Unaudited Condensed Consolidated Financial Statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC") regarding interim financial reporting. Accordingly, these statements do not include all the disclosures normally required by accounting principles generally accepted in the United States of America for annual financial statements and should be read in conjunction with the financial statements and notes thereto for the year ended March 31, 2010 included in the Company's Annual Report for the fiscal year ended March 31, 2010 (the "March 31, 2010 Annual Report"), including the summary of significant accounting policies set forth in Note 1 thereof. The operating results for the fiscal quarter ended June 30, 2010 are not necessarily indicative of the results to be expected for any future period or for the full fiscal year.

The accompanying Unaudited Condensed Consolidated Financial Statements have been prepared assuming that the Company is a going concern, which contemplates the realization of assets and the liquidation of liabilities in the normal course of business. See Note 13, "Subsequent Events."

On July 14, 2010, the Company commenced an offer to exchange (the "Exchange Offer") all of its outstanding 14% Senior Subordinated Notes due 2013 (the "Senior Subordinated Notes") for a combination of cash and shares of common stock, par value $0.0001 per share, of Media ("Media Common Stock"). The Company also commenced a cash tender offer (the "Cash Tender Offer" and, together with the Exchange Offer, the "Offers") for all of its outstanding 9% Senior PIK Notes due 2013 (the "Senior PIK Notes" and, together with the Senior Subordinated Notes, the "Notes").

Subject to the terms and conditions of the Exchange Offer, the Company is offering to exchange each $1,000 principal amount of its approximately $355.8 million aggregate principal amount of outstanding Senior Subordinated Notes, validly tendered by eligible holders and not validly withdrawn, for $269.52 and 335.62 shares of Media Common Stock. Eligible holders will not be entitled to receive any payment with respect to accrued and unpaid interest on any Senior Subordinated Notes tendered.

Subject to the terms and conditions of the Cash Tender Offer, the Company is offering to purchase each $1,000 principal amount of its approximately $23.7 million aggregate principal amount of outstanding Senior PIK Notes, validly tendered by eligible holders for $1,020, which amount is equal to the applicable redemption price pursuant to the terms of the indenture governing the Senior PIK Notes (the "PIK Notes Indenture"). Holders of Senior PIK Notes accepted in the Cash Tender Offer will also receive a cash payment equal to accrued and unpaid interest thereon from the most recent interest payment to, but not including, the date on which such Senior PIK Notes are purchased.

Concurrently with the Exchange Offer, the Company is soliciting consents (the "Subordinated Notes Consent Solicitation") from eligible holders of Senior Subordinated Notes to certain amendments (the "Proposed Subordinated Notes Indenture Amendments") to the indenture governing the Senior Subordinated Notes (the "Subordinated Notes Indenture"). The Proposed Subordinated Notes Indenture Amendments would remove substantially all of the restrictive covenants and certain events of default from the Subordinated Notes Indenture. In addition, concurrently with the Cash Tender Offer, the Company is soliciting consents (the "PIK Notes Consent Solicitation" and, together with the Subordinated Notes Consent Solicitation, the "Consent Solicitations") from eligible holders of Senior PIK Notes to certain amendments (the "Proposed PIK Notes Indenture Amendments") to the PIK Notes Indenture. The Proposed PIK Notes Indenture Amendments would remove substantially all of the restrictive covenants and certain events of default from the Senior PIK Notes Indenture. The Company cannot make any assurances that the Offers and Consent Solicitations will be successful. The expiration of the Offers and Consent Solicitations has been extended to 9:00 a.m., New York City time, on August 25, 2010.

To finance the purchase of the Notes in the Offers, the payment for consents in the Consent Solicitations and to refinance the Company's bank credit agreement (the "2009 Credit Agreement"), simultaneously with the Offers and Consent Solicitations, the Company will be offering $600.0 million of new debt.

(2) Comprehensive Income (Loss)

The change in the components of other comprehensive income (loss) is comprised of foreign currency translation adjustments and is reported as follows (in thousands):

	Fiscal Quarter Ended	
	June 30, 2010	June 30, 2009
Net income (loss)	$ 7,397	$ (8,279)
Foreign currency translation adjustments, net of tax	(9)	81
Comprehensive income (loss) attributable to the noncontrolling interest	-	-
Comprehensive income (loss) attributable to American Media Operations, Inc. and Subsidiaries	$ 7,388	$ (8,198)

(3) Inventories

Inventories are stated at the lower of cost or market. Cost is determined on the first-in, first-out (FIFO) method. Inventories are comprised of the following (in thousands):

	June 30, 2010	March 31, 2010
Raw materials – paper	$ 10,461	$ 9,785
Finished product — paper, production and distribution costs of future issues	3,444	3,663
Total inventory	$ 13,905	$ 13,448

(4) Goodwill and Other Identified Intangible Assets

As of June 30, 2010 and March 31, 2010, the Company had goodwill with carrying values of $230.9 million and other identified intangible assets not subject to amortization with carrying values of $255.3 million. The other identified intangible assets not subject to amortization consist of tradenames with indefinite lives.

Identified intangible assets with finite lives subject to amortization consist of the following at June 30, 2010 and March 31, 2010 (in thousands):

		June 30, 2010			March 31, 2010		
	Range of Lives	Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
Tradenames	8 - 27	$ 10,610	$ (3,302)	$ 7,308	$ 10,610	$ (3,192)	$ 7,418
Covenants not to compete	5 - 10	12,500	(12,500)	-	12,500	(12,500)	-
Subscriber lists	3 - 15	32,682	(24,330)	8,352	32,682	(23,785)	8,897
		$ 55,792	$ (40,132)	$ 15,660	$ 55,792	$ (39,477)	$ 16,315

Amortization expense of intangible assets for the fiscal quarters ended June 30, 2010 and 2009 was $0.7 million and $1.0 million, respectively. Based on the carrying value of identified intangible assets recorded at June 30, 2010, and assuming no subsequent

impairment of the underlying assets, the amortization expense for the remainder of fiscal year 2011 and future fiscal years is expected to be as follows (in thousands):

Fiscal Year	Amortization Expense
2011	$ 1,966
2012	2,622
2013	2,622
2014	2,622
2015	2,622
Thereafter	3,206
	$ 15,660

The gross carrying amount and accumulated impairment losses of goodwill by reportable segment are as follows (in thousands):

	Celebrity Publications	Tabloid Publications	Women's Health and Fitness Publications	Corporate/ Other	Total
Balance as of March 31, 2010					
Goodwill	$ 179,937	$ 241,570	$ 83,649	$ 137,340	$ 642,496
Accumulated impairment losses	(109,246)	(148,896)	(61,584)	(91,885)	(411,611)
Goodwill, net of impairment losses	70,691	92,674	22,065	45,455	230,885
Impairment charges in fiscal year 2011	-	-	-	-	-
Balance as of June 30, 2010					
Goodwill	$ 179,937	$ 241,570	$ 83,649	$ 137,340	$ 642,496
Accumulated impairment losses	(109,246)	(148,896)	(61,584)	(91,885)	(411,611)
Goodwill, net of impairment losses	70,691	92,674	22,065	45,455	230,885

(5) Fair Value of Financial Instruments

The fair value of the Company's financial instruments is estimated based on the most recent quoted market prices for the same or similar issues. The estimated fair value of the Company's financial instruments is as follows (in thousands):

	June 30, 2010		March 31, 2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Term loan	$ 431,746	$ 408,648	$ 432,871	$ 418,153
Revolving credit facility	10,000	9,100	21,000	19,163
8 7/8% Senior Subordinated Notes due 2011	7,502 (a)	7,355	7,502 (a)	7,216
14% Senior Subordinated Notes due 2013	355,756 (b)	231,241	332,051 (b)	215,833
9% Senior PIK Notes due 2013	23,723 (b)	16,606	22,701 (b)	14,756

(a) Amount does not include the bond premium or bond discount.

(b) Amounts do not include future interest reflected in the carrying amount of our senior subordinated notes in the accompanying Consolidated Balance Sheets.

Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 820, "*Fair Value Measurements and Disclosures*" ("ASC 820"), establishes a three-tier fair value hierarchy, which prioritizes the use of inputs used in measuring fair value as follows:

Level 1 Observable inputs such as quoted prices in active markets for identical assets and liabilities;

Level 2 Inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and
Level 3 Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

As of June 30, 2010 and March 31, 2010, the Company did not have financial assets or liabilities that would require measurement on a recurring basis based on the guidance in ASC 820. The carrying amount for cash and cash equivalents, accounts receivable, accounts payable and accrued expenses approximates fair value due to the short maturity of these items.

In addition to financial assets and liabilities that are recorded at fair value on a recurring basis, the Company is required to record certain non-financial assets and liabilities at fair value on a nonrecurring basis.

The following table reflects the fair values measurement of certain assets measured at fair value on a non-recurring basis (in thousands):

		Fair Value Measurements Using			
	June 30, 2009	Level 1	Level 2	Level 3	Impairment Recognized in Earnings
Goodwill	$ 230,885	$ -	$ -	$ 230,885	$ 14,563
Tradenames	255,321	-	-	255,321	3,032
					$ 17,595

During the three months ended June 30, 2010, the Company did not measure at fair value any nonfinancial assets or liabilities.

Goodwill with a carrying amount of $245.5 million was written down to its implied value of $230.9 million during the quarter ended June 30, 2009. The Company recorded a preliminary impairment charge of $14.6 million during the quarter ended June 30, 2009, which was included in earnings for the period. The Company finalized the impairment charge during the quarter ended December 31, 2009 and no adjustment was required.

Tradenames with a carrying amount of $258.3 million were written down to their implied value of $255.3 million, resulting in impairment charges of $3.0 million during the quarter ended June 30, 2009, which was included in earnings for the period.

(6) Credit Agreement

On December 31, 2008, the Company entered into the 2009 Credit Agreement, which replaced its then existing credit agreement dated as of January 30, 2006 (the “2006 Credit Agreement”). The 2009 Credit Agreement became effective on January 30, 2009 (the “Effective Date”). The 2009 Credit Agreement includes a $60.0 million revolving credit facility (the “Revolving Facility”) and a $450.0 million term loan commitment (the “Term Facility”). The Revolving Facility matures in January 2012 and the Term Facility matures in January 2013.

During the fiscal quarter ended June 30, 2010, the Company made the required quarterly principal payment on its Term Facility of $1.1 million and paid down $26.0 million and borrowed $15.0 million under its Revolving Facility. The balance of the Term Facility and the Revolving Facility was $431.7 million and $10.0 million, respectively, on June 30, 2010. The Revolving Facility had $50.0 million available to be borrowed as of June 30, 2010.

The 2009 Credit Agreement requires the Company to pay, from the Effective Date until the termination of commitments under the Revolving Facility, a commitment fee equal to 1.0% of the unused portion of the revolving commitments. Commitment fee payments during the fiscal quarter ended June 30, 2010 were approximately $0.1 million. Commitment fee payments under the 2009 Credit Agreement were insignificant during the fiscal quarter ended June 30, 2009 as the revolving commitments on the 2009 Credit Agreement were almost fully drawn during the entire three months.

The effective weighted-average interest rate under the 2009 Credit Agreement, including amounts borrowed under the Term Facility and Revolving Facility, as of June 30, 2010 and 2009, was 10.0%.

The 2009 Credit Agreement includes certain representations and warranties, conditions precedent, affirmative covenants, negative covenants and events of default customary for agreements of this type. The negative covenants include financial maintenance covenants comprised of a leverage ratio, a senior secured leverage ratio, a consolidated interest expense coverage ratio, and capital expenditure limits. The 2009 Credit Agreement also contains certain covenants that, subject to certain exceptions, restrict paying dividends, incurring additional indebtedness, creating liens, making acquisitions or other investments, entering into certain mergers or consolidations and selling or otherwise disposing of assets. The 2009 Credit Agreement includes a broadening from the 2006 Credit Agreement of the circumstances that would give rise to prepayment of the loans and the introduction of more restrictive covenants, particularly relating to indebtedness, investments, restricted payments and capital expenditures. As of June 30, 2010, the Company is in compliance with all financial covenants under the 2009 Credit Agreement.

Although there can be no assurances, the Company anticipates that, based on current projections (including projected borrowings and repayments under the Revolving Facility), its operating results for fiscal year 2011 will be sufficient to satisfy the financial covenants under the 2009 Credit Agreement. The Company's ability to satisfy such financial covenants is dependent on its business performing in accordance with its projections. If the performance of the Company's business deviates from its projections, the Company may not be able to satisfy such financial covenants. The Company's projections are subject to a number of factors, many of which are events beyond its control, which could cause the Company's actual results to differ materially from its projections. If the Company does not comply with these or other covenants and restrictions contained in the 2009 Credit Agreement, the Company would default under the 2009 Credit Agreement. The outstanding debt under the 2009 Credit Agreement would then be declared immediately due and payable. Moreover, the instruments governing almost all of the Company's other debt contain cross-acceleration provisions so that an acceleration under any of the Company's debt will result in a default under the Company's other debt. If a cross-acceleration occurs, the maturity of the Company's other debt would be accelerated and become immediately due and payable.

For a further description of the 2009 Credit Agreement, see Note 6 to the Consolidated Financial Statements included in the March 31, 2010 Annual Report.

For a description of the Company's Offers and Consent Solicitations, see Note 1, "Basis of Presentation," to these Unaudited Condensed Consolidated Financial Statements.

(7) Senior Subordinated Indebtedness

The Senior PIK Notes are unsecured senior obligations of the Company and are effectively subordinated to all of the Company's existing and future secured debt, including obligations under the 2009 Credit Agreement. The Senior PIK Notes will mature on May 1, 2013. Interest on the Senior PIK Notes accrues at the rate of 9% per annum based upon the outstanding principal amount. The 2009 Credit Agreement prohibits the payment of cash interest on the Senior PIK Notes.

The Senior Subordinated Notes are unsecured senior subordinated obligations of the Company and are subordinated in right of payment to the Company's existing and future senior debt, including obligations under the 2009 Credit Agreement and the Senior PIK Notes. The Senior Subordinated Notes will mature on November 1, 2013. Interest on the Senior Subordinated Notes accrues at the rate of 14% per annum based upon the outstanding principal amount of the Senior Subordinated Notes (with (i) 10% per annum payable in cash, (ii) 2% per annum payable, at the Company's option, either in cash or by the issuance of additional Senior Subordinated Notes, and (iii) 2% per annum payable (x) in cash when the Company's Excess Cash Flow (as defined in the 2009 Credit Agreement) for the most recently completed fiscal year ended prior to an interest payment date is greater than $27.5 million and (y) at the Company's option, either in cash or by the issuance of additional Senior Subordinated Notes when the Company's Excess Cash Flow for the most recently completed fiscal year ended prior to an interest payment date is less than or equal to $27.5 million).

Interest on the Notes is payable semi-annually in arrears on May 1 and November 1 of each year.

Pursuant to the indenture governing the Senior Subordinated Notes, beneficial owners of the Senior Subordinated Notes, who together beneficially owned more than 75% in aggregate principal amount of the outstanding Senior Subordinated Notes, consented on behalf of all holders of the Senior Subordinated Notes that the $23.7 million interest payment, including $16.6 million of cash interest due May 1, 2010 be deferred until June 21, 2010.

Although interest with respect to the Senior Subordinated Notes is payable at a rate of 10% per annum in cash and 4% per annum in the form of additional Senior Subordinated Notes, in accordance with the terms of the indenture governing the Senior Subordinated Notes and at the request of the requisite holders of Senior Subordinated Notes, the full amount of the May 1, 2010 interest payment was paid entirely in the form of additional Senior Subordinated Notes on June 21, 2010.

As of June 30, 2010, the Company's total principal amount of senior subordinated debt was approximately $387.0 million, consisting of $7.5 million principal amount of 8-7/8% Senior Subordinated Notes due 2011 (the "2011 Notes"), $23.7 million principal amount of Senior PIK Notes and $355.8 million principal amount of Senior Subordinated Notes. The accompanying Unaudited Condensed

Consolidated Balance Sheet includes $175.2 million in future interest payments on the Notes reflected in the carrying amount of the Company's Senior Subordinated Indebtedness. Therefore, the Company does not recognize interest expense on the Notes.

For a further description of the Notes, see Note 7 to the Consolidated Financial Statements included in the March 31, 2010 Annual Report.

For a description of the Company's Offers and Consent Solicitations, see Note 1, "Basis of Presentation," to these Unaudited Condensed Consolidated Financial Statements.

(8) Litigation

On March 10, 2009, Anderson News, L.L.C. and Anderson Services, L.L.C., magazine wholesalers (collectively, "Anderson"), filed a lawsuit against Media, Distribution Services, Inc., a subsidiary of the Company ("DSI"), and various magazine publishers, wholesalers and distributors in the Federal District Court for the Southern District of New York (the "Anderson Action"). Anderson's complaint alleged that the defendants violated Section 1 of the Sherman Act by engaging in a purported industry-wide conspiracy to boycott Anderson and drive it out of business. Plaintiffs also purported to assert claims for defamation, tortious interference with contract, and civil conspiracy. The complaint did not specify the amount of damages sought. On August 2, 2010, the District Court dismissed the complaint in its entirety with prejudice and without leave to replead. While it is not possible to predict with certainty the final outcome of an appeal, if any, of the Anderson Action or to estimate the impact of such appeal on the Company, Media and DSI will continue to vigorously defend the case.

In addition, because the focus of some of the Company's publications often involves celebrities and controversial subjects, the risk of defamation or invasion of privacy litigation exists. The Company's experience indicates that the claims for damages made in such lawsuits are usually inflated and the lawsuits are usually defensible and, in any event, any reasonably foreseeable material liability or settlement would likely be covered by insurance.

The Company periodically evaluates and assesses the risks and uncertainties associated with litigation disregarding the existence of insurance that would cover liability for such litigation. At present, in the opinion of management, after consultation with outside legal counsel, the liability resulting from such litigation, even if insurance was not available, is not expected to have a material effect on the Company's Unaudited Condensed Consolidated Financial Statements.

(9) Business Segment Information

The Company has aggregated its business into five reporting segments: Celebrity Publications, Tabloid Publications, Women's Health and Fitness Publications, Distribution Services and Corporate/Other. The aggregation of the Company's business is based upon the Company's publications having the following similarities: economic characteristics including types of products and services, types of production processes, type or class of customer, and method of distribution.

The Celebrity Publications segment aggregation includes *Star* and *Country Weekly*.

The Tabloid Publications segment aggregation includes *National Enquirer*, *Globe*, and *National Examiner*.

The Women's Health and Fitness Publications segment aggregation includes *Shape* and *Fit Pregnancy*.

The Distribution Services segment is comprised of DSI, which arranges for the placement of the Company's publications and third-party publications with retailers and monitors through its regional managers and merchandising staff that the Company's publications and third-party publications are properly displayed in stores, primarily national and regional supermarket chains and major retail chains such as Wal-Mart, Kroger Companies, Safeway, Super Valu/Albertsons, Stop & Shop/Giant Food, Publix, H.E. Butt, Food Lion/Sweetbay, Great A&P Tea Company and Winn Dixie. DSI also coordinates (also known as acting as a "category manager/front-end advisor") the racking of magazine fixtures for selected retailers. In addition, DSI provides marketing, merchandising and information gathering services to third parties including non-magazine clients.

The Corporate/Other segment aggregation includes the following publications: *Muscle & Fitness*, *Men's Fitness*, *Muscle & Fitness Hers*, *Flex*, *UFC Magazine*, *Natural Health*, *Sun*, and *Mira!*. In addition, the Corporate/Other segment also includes publishing services, ancillary sales and corporate overhead. Ancillary sales primarily relate to licensing, syndication and new media. Corporate expenses not allocated to other segments include production and circulation department costs, and executive staff support departments such as information technology, accounting, legal, human resources and administration. While most of the publications aggregated in the Corporate/Other segment have certain similar products and services, production processes, type or class of customers, and method of distribution as some of the other publications which are aggregated into the other reporting segments (Celebrity Publications,

Tabloid Publications and Women's Health and Fitness Publications), their economic characteristics are dissimilar with such other publications. Accordingly, the Company has aggregated those publications into the Corporate/Other reporting segment.

The Company's accounting policies are the same for all reportable segments.

Segment Data

The following table presents the results of, and assets employed in, the Company's five reporting segments for the fiscal quarters ended June 30, 2010 and 2009. The information includes certain intersegment transactions and is, therefore, not necessarily indicative of the results had the operations existed as stand-alone businesses. Intersegment transactions represent intercompany advertising and other services, which are billed at what management believes are prevailing market rates. These intersegment transactions, which represent transactions between operating units in different business segments, are eliminated in consolidation.

			Segment (in thousands)					(in thousands)	
			Celebrity Publications	Tabloid Publications	Women's Health and Fitness Publications	Distribution Services	Corporate/ Other (1)	Elimination Entries	Consolidated Total
Operating revenues									
Quarter ended June 30,	2010		$ 25,044	$ 31,758	$ 17,110	$ 6,823	$ 19,753	$ (1,976) **(2)**	$ 98,512
	2009		$ 27,132	$ 32,860	$ 13,847	$ 7,076	$ 24,389	$ (2,208) **(2)**	$ 103,096
Operating income (loss)									
Quarter ended June 30,	2010		$ 7,736	$ 15,196	$ 4,144	$ 1,107	$ (5,361)	$ -	$ 22,822
	2009	**(3)**	$ 6,809	$ 15,026	$ (15,072)	$ 1,101	$ (4,388)	$ -	$ 3,476
Depreciation and amortization									
Quarter ended June 30,	2010		$ 2	$ 655	$ -	$ 270	$ 600	$ -	$ 1,527
	2009		$ 5	$ 656	$ -	$ 153	$ 902	$ -	$ 1,716
Provision for impairment of intangible assets and goodwill									
Quarter ended June 30,	2010		$ -	$ -	$ -	$ -	$ -	$ -	$ -
	2009		$ -	$ -	$ 17,595	$ -	$ -	$ -	$ 17,595
Amortization of deferred rack costs									
Quarter ended June 30,	2010		$ 589	$ 969	$ 100	$ -	$ 146	$ -	$ 1,804
	2009		$ 510	$ 810	$ 80	$ -	$ 324	$ -	$ 1,724
Total Assets									
At June 30, 2010			$ 112,708	$ 248,120	$ 77,244	$ 16,324	$ 164,020	$ -	$ 618,416
At March 31, 2010			$ 111,508	$ 249,588	$ 76,550	$ 15,645	$ 167,168	$ -	$ 620,459

(1) Income tax expense (benefit) of $1.8 million and ($2.0) million, interest expense of $12.7 million and amortization of deferred debt costs of $1.0 million and $1.1 million, respectively, for each of fiscal quarters ended June 30, 2010 and 2009 are included in the Corporate/Other segment.

(2) Substantially all of the amount represents revenues from transactions with the Distribution Services segment.

(3) Operating income (loss) includes the provision for impairment of tradenames and goodwill of $3.0 million and $14.6 million, respectively, for the Women's Health and Fitness Publications segment.

(10) Recent Accounting Pronouncements

In October 2009, the FASB issued Accounting Standards Update ("ASU") No. 2009–13, "*Multiple–Deliverable Revenue Arrangements*" ("ASU 2009–13"). ASU 2009–13 amends existing revenue recognition accounting pronouncements that are currently within the scope of FASB ASC Subtopic 605-25. The Emerging Issues Task Force Issue No. 08–1, "*Revenue Arrangements with Multiple Deliverables*", provides accounting principles and application guidance on whether multiple deliverables exist, how the arrangement should be separated, and the consideration allocated. This guidance eliminates the requirement to establish the fair value of undelivered products and services and also eliminates the residual method of allocating arrangement consideration. The new guidance provides for separate revenue recognition based upon management's estimate of the selling price for an undelivered item when there is no other means to determine the fair value of that undelivered item. Under the previous guidance, if the fair value of all of the elements in the arrangement was not determinable, then revenue was deferred until all of the items were delivered or fair value was determined. This new approach is effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010. The Company is currently assessing the impact of the adoption of this new guidance on its results of operations, financial position, cash flows and disclosures.

In January 2010, the FASB issued ASU No. 2010-06, "*Improving Disclosures about Fair Value Measurements*" ("ASU 2010-06"). ASU 2010-06 amends the Fair Value Measurements and Disclosures Topic to require additional disclosures regarding fair value

measurements. The amended guidance requires entities to disclose additional information regarding assets and liabilities that are transferred between levels of the fair value hierarchy. Entities are also required to disclose information in the Level 3 rollforward about purchases, sales, issuances and settlements on a gross basis. In addition to these new disclosure requirements, ASU 2010-06 clarifies existing guidance pertaining to the level of disaggregation at which fair value disclosures should be made and the requirements to disclose information about the valuation techniques and inputs used in estimating Level 2 and Level 3 fair value measurements. The guidance in ASU 2010-06 is effective for interim and annual reporting periods beginning after December 15, 2009, except for the requirement to separately disclose purchases, sales, issuances and settlements in the Level 3 rollforward, which becomes effective for fiscal years (and for interim periods within those fiscal years) beginning after December 15, 2010. The Company's adoption of ASU 2010-06, effective January 1, 2010, did not have a material impact on its results of operations, financial position, cash flows and disclosures. The Company does not expect the deferred portion of the adoption of ASU 2010-06 to have a material impact on its results of operations, financial position, cash flows and disclosures.

(11) Variable Interest Entities

Mr. Olympia, LLC

In April 2005, the Company entered into a limited liability company ("LLC") agreement (the "Olympia Agreement") to form a joint venture ("Mr. Olympia, LLC") to manage and promote the Mr. Olympia fitness events. At any time prior to the tenth anniversary of the execution date of the Olympia Agreement the other limited liability company member may require the Company to purchase all of the limited liability company units ("Put Option") for a cash purchase price of $3.0 million. In the event that the other limited liability company member does not exercise the Put Option, for a period of 120 days following the tenth anniversary of the date of execution of the Olympia Agreement, the Company may require the other limited liability company member to sell all of its limited liability company units ("Call Option") for a sale price of $3.0 million.

In April 2005, the other limited liability company member licensed certain trademarks related to the Mr. Olympia fitness events (collectively, the "Olympia Trademarks") to Mr. Olympia, LLC in exchange for the Company paying $3.0 million over a ten year period. In the event that the Put Option or Call Option is exercised, the Olympia Trademarks will be transferred and owned by Mr. Olympia, LLC. Any remaining balance of the $3.0 million license fee will become due and payable upon such exercise. In the event that the Put Option or Call Option is not exercised, Mr. Olympia, LLC retains the right to the Olympia Trademarks in perpetuity once the $3.0 million license fee is paid.

Effective April 1, 2010, the Company adopted new accounting guidance which modified the consolidation model in previous guidance and expanded disclosures related to variable interest entities ("VIE"). An entity is considered to be a VIE when its total equity investment at risk is not sufficient to permit the entity to finance its activities without additional subordinated financial support or its equity investors, as a group, lack the characteristics of having a controlling interest. A company is required to consolidate a VIE if it is determined to be the primary beneficiary as a result of having both the power to direct the most significant activities of the VIE and it has the obligation to absorb losses or receive benefits that are significant to the VIE. The Company has concluded that the LLC is a VIE and that it is the primary beneficiary because of the fact that (1) the other LLC member has the ability to exercise the Put Option, which if exercised, would cause the Company to absorb Mr. Olympia, LLC's potential losses and (2) the Company controls Mr. Olympia, LLC's most significant operating activities. Consequently, the Company accounts for the limited liability company as a consolidated subsidiary. The Company has recorded the $3.0 million Put/Call Option and the $3.0 million Olympia Trademarks as an indefinite lived intangible asset in the accompanying Consolidated Balance Sheets as of June 30, 2010 and March 31, 2010. In addition, the Company has recorded $3.9 million of accrued expenses and other liabilities at June 30, 2010 which represents the remaining obligation for the Put/Call Option and the license fee associated with the Olympia Trademarks.

(12) Supplemental Condensed Consolidating Financial Information

The following tables present condensed consolidating financial information of (a) the parent company, American Media Operations, Inc., as issuer of the Notes, the 2011 Notes and the 10 ¼% Series B Senior Subordinated Notes due 2009 (the "2009 Notes") (b) on a combined basis, the subsidiary guarantors of the 2011 Notes and 2009 Notes, and (c) on a combined basis, the subsidiaries that are not guarantors of 2011 Notes and 2009 Notes. Separate financial statements of the subsidiary guarantors are not presented because each of the subsidiary guarantors is 100% owned by the parent company issuer and the guarantee by each subsidiary guarantor is full and unconditional and joint and several. As a result and in accordance with Paragraph S99-1 of ASC Section 470-10-S99 (and Rule 3-10(f) of Regulation S-X under the Securities Exchange Act of 1934), the Company includes the following:

SUPPLEMENTAL CONDENSED CONSOLIDATING BALANCE SHEET
AS OF JUNE 30, 2010
(in thousands)

ASSETS	Parent	Guarantors	Non-Guarantors	Eliminations	Condensed Consolidated
CURRENT ASSETS:					
Cash and cash equivalents	$ 629	$ 2,998	$ 941	$ -	$ 4,568
Trade receivables, net	-	47,075	1,755	-	48,830
Inventories	-	13,452	453	-	13,905
Prepaid expenses and other current assets	124	23,843	758	(5,487)	19,238
Total current assets	753	87,368	3,907	(5,487)	86,541
PROPERTY AND EQUIPMENT, NET:					
Leasehold improvements	-	1,824	-	-	1,824
Furniture, fixtures and equipment	-	32,615	453	-	33,068
Less – accumulated depreciation	-	(27,538)	(359)	-	(27,897)
Total property and equipment, net	-	6,901	94	-	6,995
OTHER ASSETS:					
Deferred debt costs, net	9,979	-	-	-	9,979
Deferred rack costs, net	-	9,654	-	-	9,654
Other long-term assets	-	3,382	-	-	3,382
Investment in subsidiaries	470,340	694	-	(471,034)	-
Total other assets	480,319	13,730	-	(471,034)	23,015
GOODWILL AND OTHER IDENTIFIED INTANGIBLE ASSETS:					
Goodwill	-	226,376	4,509	-	230,885
Other identified intangibles, net	6,000	264,980	-	-	270,980
Total goodwill and other identified intangible assets	6,000	491,356	4,509	-	501,865
TOTAL ASSETS	$ 487,072	$ 599,355	$ 8,510	$ (476,521)	$ 618,416
LIABILITIES AND STOCKHOLDER'S EQUITY (DEFICIT)					
Term loan	$ 4,500	$ -	$ -	$ -	$ 4,500
Senior subordinated notes, net	40,102	-	-	-	40,102
Accounts payable	4	15,296	868	-	16,168
Accrued expenses and other liabilities	4,335	38,670	254	(4,450)	38,809
Accrued interest	1,331	-	-	-	1,331
Deferred revenues	727	34,940	408	-	36,075
Total current liabilities	50,999	88,906	1,530	(4,450)	136,985
NON-CURRENT LIABILITIES:					
Term loan and revolving credit facility	437,246	-	-	-	437,246
Senior subordinated notes, net	522,059	-	-	-	522,059
Other non-current liabilities	7,160	2,000	-	-	9,160
Deferred income taxes	-	85,132	(83)	(1,037)	84,012
Due (from) to affiliates	40,654	(47,023)	6,369		-
Total liabilities	1,058,118	129,015	7,816	(5,487)	1,189,462
STOCKHOLDER'S (DEFICIT) EQUITY:					
Total stockholder's (deficit) equity	(571,046)	470,340	694	(471,034)	(571,046)
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY (DEFICIT)	$ 487,072	$ 599,355	$ 8,510	$ (476,521)	$ 618,416

SUPPLEMENTAL CONDENSED CONSOLIDATING BALANCE SHEET
AS OF MARCH 31, 2010
(in thousands)

ASSETS	Parent	Guarantors	Non-Guarantors	Eliminations	Condensed Consolidated
CURRENT ASSETS:					
Cash and cash equivalents	$ 274	$ 4,624	$ 1,708	$ -	$ 6,606
Trade receivables, net	-	46,705	1,798	-	48,503
Inventories	-	12,972	476	-	13,448
Prepaid expenses and other current assets	94	25,026	599	(5,487)	20,232
Total current assets	368	89,327	4,581	(5,487)	88,789
PROPERTY AND EQUIPMENT, NET:					
Leasehold improvements	-	1,824	-	-	1,824
Furniture, fixtures and equipment	-	31,347	452	-	31,799
Less – accumulated depreciation	-	(26,780)	(349)	-	(27,129)
Total property and equipment, net	-	6,391	103	-	6,494
OTHER ASSETS:					
Deferred debt costs, net	10,938	-	-	-	10,938
Deferred rack costs, net	-	8,461	-	-	8,461
Other long-term assets	-	3,257	-	-	3,257
Investment in subsidiaries	457,200	983	-	(458,183)	-
Total other assets	468,138	12,701	-	(458,183)	22,656
GOODWILL AND OTHER IDENTIFIED INTANGIBLE ASSETS:					
Goodwill	-	226,376	4,509	-	230,885
Other identified intangibles, net	6,000	265,635	-	-	271,635
Total goodwill and other identified intangible assets	6,000	492,011	4,509	-	502,520
TOTAL ASSETS	$ 474,506	$ 600,430	$ 9,193	$ (463,670)	$ 620,459
LIABILITIES AND STOCKHOLDER'S EQUITY (DEFICIT)					
Term loan	$ 4,500	$ -	$ -	$ -	$ 4,500
Senior subordinated notes, net	39,458	-	-	-	39,458
Accounts payable	2	14,688	989	-	15,679
Accrued expenses and other liabilities	4,413	38,564	445	(4,867)	38,555
Accrued interest	1,433	-	-	-	1,433
Deferred revenues	266	36,182	481	-	36,929
Total current liabilities	50,072	89,434	1,915	(4,867)	136,554
NON-CURRENT LIABILITIES:					
Term loan and revolving credit facility	449,371	-	-	-	449,371
Senior subordinated notes, net	521,151	-	-	-	521,151
Other non-current liabilities	7,083	2,000	-	-	9,083
Deferred income taxes	-	83,428	(74)	(620)	82,734
Due (from) to affiliates	25,263	(31,632)	6,369	-	-
Total liabilities	1,052,940	143,230	8,210	(5,487)	1,198,893
STOCKHOLDER'S (DEFICIT) EQUITY:					
Total stockholder's (deficit) equity	(578,434)	457,200	983	(458,183)	(578,434)
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY (DEFICIT)	$ 474,506	$ 600,430	$ 9,193	$ (463,670)	$ 620,459

SUPPLEMENTAL CONDENSED CONSOLIDATING STATEMENT OF INCOME (LOSS)
FOR THE FISCAL QUARTER ENDED JUNE 30, 2010
(in thousands)

	Parent	Guarantors	Non-Guarantors	Eliminations	Condensed Consolidated
OPERATING REVENUES:					
Circulation	$ -	$ 56,540	$ 1,131	$ -	$ 57,671
Advertising	-	32,177	1,562	-	33,739
Other	-	6,835	267	-	7,102
Total operating revenues	-	95,552	2,960	-	98,512
OPERATING EXPENSES:					
Editorial	-	10,797	286	-	11,083
Production	-	25,459	781	-	26,240
Distribution, circulation and other cost of sales	-	16,907	497	-	17,404
Selling, general and administrative	-	18,794	642	-	19,436
Depreciation and amortization	-	1,527	-	-	1,527
Total operating expenses	-	73,484	2,206	-	75,690
OPERATING INCOME	-	22,068	754	-	22,822
OTHER (EXPENSE) INCOME:					
Interest expense	(12,715)	25		-	(12,690)
Amortization of deferred debt costs	(959)	-	-	-	(959)
Other (expense) income, net	-	1	3	-	4
Total other (expense) income	(13,674)	26	3	-	(13,645)
INCOME (LOSS) BEFORE PROVISION (BENEFIT) FOR INCOME TAXES AND EQUITY (LOSSES) IN EARNINGS OF CONSOLIDATED SUBSIDIARIES	(13,674)	22,094	757	-	9,177
PROVISION (BENEFIT) FOR INCOME TAXES	(7,931)	9,484	227	-	1,780
EQUITY (LOSSES) IN EARNINGS OF CONSOLIDATED SUBSIDIARIES	13,140	530	-	(13,670)	-
NET INCOME (LOSS)	7,397	13,140	530	(13,670)	7,397
LESS: NET INCOME ATTRIBUTABLE TO THE NONCONTROLLING INTEREST	-	-	-	-	-
NET INCOME (LOSS) ATTRIBUTABLE TO AMERICAN MEDIA OPERATIONS, INC. AND SUBSIDIARIES	$ 7,397	$ 13,140	$ 530	$ (13,670)	$ 7,397

SUPPLEMENTAL CONDENSED CONSOLIDATING STATEMENT OF INCOME (LOSS)
FOR THE FISCAL QUARTER ENDED JUNE 30, 2009
(in thousands)

	Parent	Guarantors	Non-Guarantors	Eliminations	Condensed Consolidated
OPERATING REVENUES:					
Circulation	$ -	$ 62,941	$ 1,171	$ -	$ 64,112
Advertising	-	31,106	1,493	-	32,599
Other	-	6,066	319	-	6,385
Total operating revenues	-	100,113	2,983	-	103,096
OPERATING EXPENSES:					
Editorial	-	10,970	252	-	11,222
Production	4	30,891	811	-	31,706
Distribution, circulation and other cost of sales	-	17,951	517	-	18,468
Selling, general and administrative	-	18,302	611	-	18,913
Depreciation and amortization	-	1,709	7	-	1,716
Provision for impairment of intangible assets and goodwill	-	17,595	-	-	17,595
Total operating expenses	4	97,418	2,198	-	99,620
OPERATING INCOME (LOSS)	(4)	2,695	785	-	3,476
OTHER (EXPENSE) INCOME:					
Interest expense	(12,725)	29	-	-	(12,696)
Amortization of deferred debt costs	(1,109)	-	-	-	(1,109)
Other (expense) income, net	2	-	-	-	2
Total other (expense) income	(13,832)	29	-	-	(13,803)
INCOME (LOSS) BEFORE PROVISION (BENEFIT) FOR INCOME TAXES AND EQUITY (LOSSES) IN EARNINGS OF CONSOLIDATED SUBSIDIARIES	(13,836)	2,724	785	-	(10,327)
PROVISION (BENEFIT) FOR INCOME TAXES	(430)	(1,853)	235	-	(2,048)
EQUITY (LOSSES) IN EARNINGS OF CONSOLIDATED SUBSIDIARIES	5,127	550	-	(5,677)	-
NET INCOME (LOSS)	(8,279)	5,127	550	(5,677)	(8,279)
LESS: NET INCOME ATTRIBUTABLE TO THE NONCONTROLLING INTEREST	-	-	-	-	-
NET INCOME (LOSS) ATTRIBUTABLE TO AMERICAN MEDIA OPERATIONS, INC. AND SUBSIDIARIES	$ (8,279)	$ 5,127	$ 550	$ (5,677)	$ (8,279)

SUPPLEMENTAL CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE FISCAL QUARTER ENDED JUNE 30, 2010
(in thousands)

	Parent	Guarantors	Non-Guarantors	Eliminations	Condensed Consolidated
Cash Flows from Operating Activities:					
Net cash (used in) provided by operating activities	$ (10,455)	$ 22,975	$ 433	$ (1,200)	$ 11,753
Cash Flows from Investing Activities:					
Purchases of property and equipment	-	(1,347)	-	-	(1,347)
Proceeds from sale of assets	-	20	-	-	20
Investment in Mr. Olympia, LLC	(300)	-	-	-	(300)
Net cash used in investing activities	(300)	(1,327)	-	-	(1,627)
Cash Flows from Financing Activities:					
Due to (from) affiliates	23,235	(23,235)	-	-	-
Term loan and revolving credit facility principal repayments	(27,125)	-	-	-	(27,125)
Dividend paid to parent	-	-	(1,200)	1,200	-
Proceeds from revolving credit facility	15,000	-	-	-	15,000
Net cash provided by (used in) financing activities	11,110	(23,235)	(1,200)	1,200	(12,125)
Effect of exchange rate changes on cash	-	(39)	-	-	(39)
Net Increase (Decrease) in Cash and Cash Equivalents	355	(1,626)	(767)	-	(2,038)
Cash and Cash Equivalents, Beginning of Period	274	4,624	1,708	-	6,606
Cash and Cash Equivalents, End of Period	$ 629	$ 2,998	$ 941	$ -	$ 4,568

SUPPLEMENTAL CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE FISCAL QUARTER ENDED JUNE 30, 2009
(in thousands)

	Parent	Guarantors	Non-Guarantors	Eliminations	Condensed Consolidated
Cash Flows from Operating Activities:					
Net cash (used in) provided by operating activities	$ (15,324)	$ 24,742	$ (592)	$ -	$ 8,826
Cash Flows from Investing Activities:					
Purchases of property and equipment	-	(1,664)	(17)	-	(1,681)
Proceeds from sale of assets	-	24	-	-	24
Investment in Mr. Olympia, LLC	(300)	-	-	-	(300)
Net cash used in investing activities	(300)	(1,640)	(17)	-	(1,957)
Cash Flows from Financing Activities:					
Due to (from) affiliates	31,551	(31,551)	-	-	-
Term loan principal repayments	(1,125)	-	-	-	(1,125)
Payment to retire subordinated indebtedness	(14,025)	-	-	-	(14,025)
Payment of debt costs	(382)	-	-	-	(382)
Net cash provided by (used in) financing activities	16,019	(31,551)	-	-	(15,532)
Effect of exchange rate changes on cash	-	(108)	278	-	170
Net Increase (Decrease) in Cash and Cash Equivalents	395	(8,557)	(331)	-	(8,493)
Cash and Cash Equivalents, Beginning of Period	388	16,891	1,716	-	18,995
Cash and Cash Equivalents, End of Period	$ 783	$ 8,334	$ 1,385	$ -	$ 10,502

(13) Subsequent Events

As discussed above, the Company launched an exchange offer for the Subordinated Notes (the "Exchange Offer"), and a cash tender offer for the PIK Notes (the "Tender Offer"). In the Exchange Offer, holders of Subordinated Notes were offered $269.52 in cash and 335.62 shares of the Company Common Stock for each $1,000 of principal amount exchanged. In the Tender Offer, the Company offered to purchase each $1,000 principal amount of outstanding PIK Notes for $1,020.

On October 12, 2010, AMO commenced a separate consent solicitation (the "Interest Deferral Consent Solicitation") to solicit consents from eligible holders of Subordinated Notes to defer the payment of the November 1, 2010 scheduled interest payment on the Subordinated Notes to January 3, 2011 (such deferred payment of interest, the "Deferred Interest Payment"). Holders of more than 75% of the aggregate outstanding principal amount of Subordinated Notes delivered their consents to the Deferred Interest Payment in the Interest Deferral Consent Solicitation on October 28, 2010. The Company executed a supplemental indenture to the Subordinated Note Indenture to effect the Deferred Interest Payment, and such supplemental indenture became operative immediately upon execution.

The Exchange Offer and the Tender Offer were initially scheduled to expire on August 11, 2010, and were subsequently extended to November 1, 2010. Neither the Exchange Offer nor the Tender Offer is expected to be successfully consummated. The Company's Board of Directors has approved a financial restructuring through solicitation of a prepackaged plan of reorganization under Chapter 11 of the Bankruptcy Code (the "Plan"). Management has informed its investors that if the Company receives the requisite number of votes from its creditors in favor of the Plan by November 15, 2010 (unless extended), it will initiate a prepackaged Chapter 11 Filing in order to confirm and consummate the Plan. The Company's reorganization is premised around a debt-for-equity exchange with holders of the Subordinated Notes, approximately 78% of which have agreed to support the restructuring by executing a restructuring support agreement with the Company. Accordingly, as a result of the anticipated Chapter 11 Filing, there is substantial doubt regarding the Company's ability to continue as a going concern.

Management plans to address the issue of substantial doubt by the consummation of the Plan. However, there can be no assurance that the Company will receive the requisite consents to consummate the Plan and emerge from Chapter 11.

As a result of the substantial doubt regarding the Company's ability to continue as a going concern, management concluded that the Company was not in compliance with a financial statement covenant of the 2009 Credit Agreement for the year ended March 31, 2010. As a result of not complying with the covenant, the Company will be required to reflect the long-term portion of 2009 Credit Agreement debt as current portion of long-term debt for the quarterly period ended September 30, 2010 unless a waiver of the covenant violation is obtained.

Further, if the amounts due under the 2009 Credit Agreement were to accelerate as a result of the covenant violation, then a cross-acceleration of the Subordinated Notes may occur which would cause the Company to reflect the long-term portion of the Subordinated Notes as current portion of long-term debt for the quarterly period ended September 30, 2010.

The following is a summary of the pro-forma impact on the Company's term loan and revolving credit facility outstanding at June 30, 2010 presented as if the Company was not in compliance with the covenant at June 30, 2010:

	As Reported	Adjustments	Pro-forma Balance
CURRENT LIABILITIES:			
Term loan and revolving credit facility	$ 4,500	$ 437,246	$ 441,746
NON-CURRENT LIABILITIES:			
Term loan and revolving credit facility	$ 437,246	$ (437,246)	$ -

Exhibit G

Pro Forma Financial Forecast Analysis

FINANCIAL FORECAST

As a condition to plan confirmation, the Bankruptcy Code requires, among other things, the Bankruptcy Court to find that confirmation is not likely to be followed by either a liquidation or the need to further reorganize the debtor. In connection with developing the Plan, and for purposes of determining whether the Plan satisfies feasibility standards, the Debtors' management has, through the development of the financial forecast (the "***Forecast***"), analyzed the Reorganized Debtors' ability to meet their obligations under the Plan and to maintain sufficient liquidity and capital resources to conduct their businesses.

The Debtors prepared the Forecast in good faith, based upon estimates and assumptions made by the Debtors' management.

The estimates and assumptions in the Forecast, while considered reasonable by management, may not be realized, and are inherently subject to uncertainties and contingencies. They also are based on factors such as industry performance, general business, economic, competitive, regulatory, market, and financial conditions, all of which are difficult to predict and generally beyond the Debtors' control. Because future events and circumstances may well differ from those assumed and unanticipated events or circumstances may occur, the Debtors expect that the actual and forecasted results will differ and the actual results may be materially greater or less than those contained in the Forecast. No representations can be made as to the accuracy of the Forecast or the Reorganized Debtors' ability to achieve the forecasted results. Therefore, the Forecast may not be relied upon as a guaranty or other assurance of the actual results that will occur. The inclusion of the Forecast herein should not be regarded as an indication that the Debtors considered or consider the Forecast to reliably predict future performance. The Forecast is subjective in many respects, and thus is susceptible to interpretations and periodic revisions based on actual experience and recent developments. The Debtors do not intend to update or otherwise revise the Forecast to reflect the occurrence of future events, even in the event that assumptions underlying the Forecast are not borne out. The Forecast should be read in conjunction with the assumptions and qualifications set forth herein.

The Debtors do not as a matter of course make public projections as to future sales, earnings, or other results. However, the management of the Debtors has prepared the prospective financial information set forth below to analyze the Reorganized Debtors' ability to meet their obligations under the Plan and to maintain sufficient liquidity and capital resources to conduct their businesses. The accompanying prospective financial information was not prepared with a view toward public disclosure or with a view toward complying with the guidelines established by the American Institute of Certified Public Accountants with respect to prospective financial information, but, in the view of the Debtors' management, was prepared on a reasonable basis, reflects the best currently available estimates and judgments, and presents, to the best of management's knowledge and belief, the expected course of action and the expected future financial performance of the Reorganized Debtors. However, this information is not fact and should not be relied upon as being necessarily indicative of future results, and readers of the Plan are cautioned not to place undue reliance on the prospective financial information.

Neither the Debtors' independent auditors, nor any other independent accountants, have compiled, examined, or performed any procedures with respect to the prospective financial information contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the prospective financial information.

The Debtors prepared the Forecast based on, among other things, the anticipated future financial condition and results of operations of the Reorganized Debtors.

Although the forecasts represent the best estimates of the Debtors, for which the Debtors believe they have a reasonable basis as of the date hereof, of the results of operations and financial position of the Debtors after giving effect to the reorganization contemplated under the Plan, they are only estimates and actual results may vary considerably from forecasts. Consequently, the inclusion of the forecast information herein should not be regarded as a representation by the Debtors, the Debtors' advisors, or any other person that the forecast results will be achieved.

After the Effective Date, the Debtors do not intend to update or otherwise revise the Forecast to reflect circumstances existing since its preparation in October 2010, or to reflect the occurrence of unanticipated events, even in the event that any or all of the underlying assumptions are shown to be in error.

The Forecast was not prepared with a view toward general use, but rather for the limited purpose of providing information in conjunction with the Plan. The Forecast does not reflect the implementation of "fresh start" accounting pursuant to Accounting Standards Codification Topic 852, as the management of the Debtors believes it is not applicable. In addition, the Forecast is presented on a consolidated basis including certain entities and joint ventures not involved in the Chapter 11 Cases. Finally, the Forecast has been presented in lieu of pro forma historical financial information. Reference should be made to Article VIII, entitled "Certain Risk Factors to Be Considered" for a discussion of the risks related to the Plan.

The Forecast assumes that the Plan will be consummated in accordance with its terms and that all transactions contemplated by the Plan will be consummated by the assumed Effective Date. Any significant delay in the assumed Effective Date of the Plan may have a significant negative impact on the operations and financial performance of the Debtors including, but not limited to, an increased risk of inability to meet sales forecasts and higher reorganization expenses.

FORECASTED FINANCIAL STATEMENTS

A. Forecasted Income Statement

1. ***Fiscal Year.*** The Debtors' fiscal year ends on March 31st of each year.

2. ***Revenue***. From 2010 to 2015, revenue is estimated to increase by a 0.5% compound annual growth rate ("***CAGR***") from $412.4 million in 2010 to $423.7 million in 2015. The increase is primarily due to improved paid advertising revenue, expanded publishing / distribution services and increased digital revenue partially offset by lower newsstand and subscription revenue.

    i. *Newsstand Revenue*. Generally, the Debtors receive a percentage of the cover price of an individual magazine sold through the newsstand with the balance of the cover price retained by the magazine's distributors, wholesalers and retailers. Newsstand revenue represented 49% of the Debtors' total revenue in 2010 and is expected to decline to 42% by 2015, a 2.5% compound annual decline over the period. The Debtors' newsstand revenue is primarily driven by its celebrity / tabloid publications. Although the celebrity category has experienced a rebound, weakness is expected to continue through 2011. The decline in newsstand revenue is driven by annual declines in copy sales partially offset by modest cover price increases for select titles after 2011. The Debtors expect newsstand revenue to stabilize as the economy improves.

    ii. *Advertising Revenue*. Advertising rates and structures vary among publications and Internet properties and are based on, among other things, the circulation or audience of

the particular property, the readership demographics, the scheduled frequency and the size and placement of the advertisement in the publication or website. Advertising revenue is influenced by a number of external factors, including the presence and relative positioning of competing publications, the amount and allocation of marketing expenditures by advertising clients and the extent to which customers elect to advertise using print and / or online media. Advertising revenue represented 33% of total revenue in 2010 and is expected to increase to 39% by 2015, a 4.3% CAGR. The increase in advertising revenue is driven primarily by improvement in the economy, resulting in increased advertising pages and rates, as well as higher digital revenue. The Debtors' rate of recovery is tempered in 2011 and part of 2012 as a result of the bankruptcy filing as the Debtors expect that some advertisers are likely to shift their expenditures to the Debtors' competitors.

iii. *Subscription Revenue*. The Debtors sell subscriptions of their publications directly and through third-party marketing companies or agents. The Debtors receives a percentage of the total price of subscriptions sold through third-party sources based on specific agreements with each company. Subscription revenue represented 11% of the Debtors' total revenue in 2010 and is expected to decline to 9% by 2015, a 2.7% compound annual decline over the period. The decline in subscription revenue is primarily driven by a strategic decision of the Debtors to eliminate unprofitable circulation through increased subscription prices and reduced rate bases.

iv. *Other Revenue*. Other revenue is primarily comprised of distribution services, publishing services, licensing and events revenue. Other revenue represented 8% of total revenue in 2010 and is expected to increase to 10% by 2015, a 5.4% CAGR. The increase in other revenue is primarily driven by growth in distribution and publishing services.

3. ***Operating Expenses.*** The Debtors' operating expenses include production expenses, transportation, distribution and other expenses, editorial expenses and SG&A, as described below.

i. ***Production Expenses***. Production expenses include paper, printing and binding, ink and pre-press. Production expenses represented 28.5% of total revenue in 2010 and are expected to decline to 26.3% in 2011 primarily as a result of decreased paper, printing and binding expenses due to lower print orders for tabloid publications. Following 2011, production expenses are expected to gradually decline, reaching 25.2% of total revenue in 2015, driven by the continued realization of efficiencies in the Company's supply chain.

ii. ***Transportation, Distribution and Other Expenses***. Transportation, distribution and other expenses include freight, delivery, subscription and DSI related expenses. These expenses are expected to remain relatively flat from 2010 to 2015, representing approximately 17-18% of total revenue.

iii. ***Editorial Expenses***. Editorial expenses include freelance, research, writers, art, photos and other editorial departmental expenses. Editorial expenses are expected to decline from 11.5% of total revenue in 2010 to 10.7% in 2015 primarily driven by cost efficiencies and resulting operating leverage.

iv. ***Selling, General, and Administrative Expenses ("SG&A").*** SG&A expenses include information technology, sales & marketing and general corporate overhead. SG&A expenses represented 17.2% of total revenue in 2010 and are expected to increase to

19.5% in 2011 primarily as a result of reversals of cost-cutting initiatives implemented in 2010. These expenses are expected to remain relatively flat from 2011 as a percentage of total revenue.

4. ***Interest Expense.*** Interest expense assumptions are based upon borrowing terms that are equivalent to terms in the New Revolver Facility agreement, New First Lien Financing agreement and New Second Lien Financing agreement.

5. ***Income Tax Provision.*** The Reorganized Debtors expect cancellation of indebtedness income to fully offset current operating loss carryforwards. The Forecast does not include any impact from the use of potential operating loss carryforwards. Amounts shown for 2011 through 2015 represent estimated cash taxes only.

6. ***Income from Gain on Compromise of Indebtedness.*** The exchange of Subordinated Notes for Company stock will result in cancellation of indebtedness income. For purposes of the Forecast, it is anticipated that the cancellation of indebtedness income will not generate federal taxable income in the year of discharge.

B. **Forecasted Statement of Cash Flow and Balance Sheet**

1. ***Capital Expenditures.*** Capital expenditures are expected to be $11.1 million in 2011 and then average $10.9 million per annum through 2015. Capital expenditures during the forecast period are related to rack costs, maintenance of existing infrastructure and investment in digital. Rack costs are fees that the Debtors pay to retailers to place the Debtors' publications in display racks within the checkout section of supermarkets and other large retailers, typically for a three year term.

2. ***Post Reorganization Debt.*** The Forecast assumes that the long term emergence debt of the Reorganized Debtors will be the New Revolver Facility with $0.0 million outstanding, New First Lien Notes of $385.0 million and New Second Lien Notes of $140.0 million as of the Effective Date. The balance under the New Revolver Facility will fluctuate throughout the forecast period due to seasonal working capital cycles.

A. Forecasted Income Statement[1]

($ in millions)	FYE March 31, 2010A	2011E	2012E	2013E	2014E	2015E
Revenue						
Newsstand	$200.7	$183.8	$179.9	$179.5	$179.6	$176.8
Advertising[2]	134.3	138.6	144.8	151.6	158.6	165.6
Subscription	45.6	43.9	41.4	40.6	39.6	39.6
Other	31.9	35.7	38.8	39.7	40.6	41.6
Total Revenue	**$412.4**	**$402.0**	**$404.8**	**$411.4**	**$418.5**	**$423.7**
% Growth	*(10.7%)*	*(2.5%)*	*0.7%*	*1.6%*	*1.7%*	*1.2%*
Operating Expenses						
Production	117.5	105.7	105.7	105.7	106.1	106.7
Transportation, Distribution and Other	71.0	71.2	71.2	72.0	72.9	74.0
Editorial	47.6	45.8	45.1	45.2	45.3	45.4
Selling, General & Administrative	71.1	78.5	77.2	78.9	80.6	82.3
Depreciation & Amortization	6.6	6.4	6.4	6.4	6.4	6.4
Provision for Impairment of Intangible Assets and Goodwill	17.6	-	-	-	-	-
Total Operating Expenses	$331.5	$307.6	$305.6	$308.1	$311.2	$314.8
Other (Income)/Expense	0.5	1.3	1.3	1.4	1.4	1.4
Interest Expense, net	50.6	53.9	60.0	58.3	54.3	50.3
Deferred Debt Costs	3.9	3.5	2.2	2.2	2.2	2.2
Prepayment Penalty on New First Lien Notes	-	0.6	0.7	1.1	1.1	3.2
Pre-Tax Income	$26.0	$35.0	$34.9	$40.4	$48.3	$51.9
Provision for/(Benefit from) Income Taxes	22.8	0.3	12.4	13.4	15.3	17.3
Net Income/(Loss)	$3.2	$34.7	$22.5	$27.0	$33.0	$34.6
Adjusted EBITDA	**$114.0**	**$110.8**	**$115.5**	**$119.6**	**$123.6**	**$125.2**
% Margin	*27.6%*	*27.6%*	*28.5%*	*29.1%*	*29.5%*	*29.6%*

(1) FY2010A and beyond reflect management's internal reporting methodology as opposed to external reporting methodology
(2) Includes digital revenue

B. Forecasted Statement of Cash Flows[1]

($ in millions)	FYE March 31, 2010A	2011E	2012E	2013E	2014E	2015E
Cash Flows from Operating Activities:						
Net Income	$3.2	$34.7	$22.5	$27.0	$33.0	$34.6
Depreciation & Amortization	6.6	6.4	6.4	6.4	6.4	6.4
Provision for Impairment of Intangible Assets and Goodwill	17.6	-	-	-	-	-
Amortization of Deferred Debt Costs	3.9	3.5	2.2	2.2	2.2	2.2
Amortization of Deferred Rack Costs	5.9	7.2	7.2	7.2	7.2	7.2
Deferred Rack Costs	(7.7)	(7.6)	(7.6)	(7.6)	(7.6)	(7.6)
Changes in Working Capital	(15.5)	(7.3)	(2.9)	4.7	(1.4)	(0.7)
Other	26.2	4.5	-	-	-	-
Cash from Operating Activities	$40.2	$41.5	$27.7	$39.8	$39.7	$42.1
Cash Flows from Investing Activities:						
Capital Expenditures	(4.6)	(3.5)	(3.2)	(3.2)	(3.2)	(3.2)
Proceeds from Sale of Assets	0.6	0.0	-	-	-	-
Other	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)
Cash from Investing Activities	($4.2)	($3.8)	($3.5)	($3.5)	($3.5)	($3.5)
Cash Flows from Financing Activities:						
Payment of Deferred Debt Costs	(1.7)	-	-	-	-	-
Sources and Uses, Net from Refinancing	-	19.4	-	-	-	-
Retirement of Debt	(14.0)	-	-	-	-	-
Revolver Advances/(Payments)	(29.0)	(21.0)	-	-	-	-
Term Loan Mandatory Amortization Payments	(4.5)	(2.3)	-	-	-	-
New First Lien Notes Optional Prepayments	-	(20.2)	(24.1)	(36.3)	(36.2)	(38.5)
Cash from Financing Activities	($49.2)	($24.0)	($24.1)	($36.3)	($36.2)	($38.5)
Exchange Rate Changes	0.8	(0.3)	-	-	-	-
Cash Beginning of Period	19.0	6.6	20.0	20.0	20.0	20.0
Cash End of Period	$6.6	$20.0	$20.0	$20.0	$20.0	$20.0

(1) FY2010A and beyond reflect management's internal reporting methodology as opposed to external reporting methodology

C. Forecasted Balance Sheet[1]

($ in millions)	FY2010A	Pre-Petition 12/31/10E	*Restructuring Adjustments*	Post-Petition 12/31/10PF	FYE March 31, 2011E	2012E	2013E	2014E	2015E
Cash	$6.6	$15.0	*$19.4*	$34.4	$20.0	$20.0	$20.0	$20.0	$20.0
Receivables, net	48.5	45.8		45.8	54.5	54.9	52.6	54.0	55.4
Inventories	13.4	16.3		16.3	16.5	16.5	13.8	13.8	13.8
Prepaid Expenses	20.2	18.9		18.9	20.0	19.9	19.6	19.8	20.0
Total Current Assets	$88.8	$96.0		$115.5	$111.0	$111.3	$106.0	$107.6	$109.3
Property and Equipment, net	6.5	6.7		6.7	6.2	5.7	5.1	4.6	4.1
Deferred Debt Costs, net	10.9	8.0	*7.1*	15.1	14.6	12.4	10.3	8.1	5.9
Deferred Rack Costs, net	8.5	9.5		9.5	8.8	9.2	9.6	10.0	10.4
Other Long-Term Assets	3.3	3.5		3.5	3.5	3.5	3.5	3.5	3.5
Goodwill, net	230.9	230.9		230.9	230.9	230.9	230.9	230.9	230.9
Tradenames and Other Intangibles, net	271.6	269.7		269.7	269.0	266.4	263.8	261.1	258.5
Total Assets	$620.5	$624.3		$650.9	$644.0	$639.4	$629.2	$625.9	$622.7
Accounts Payable	$15.7	$15.8		$15.8	$16.8	$16.7	$15.9	$16.1	$16.3
Accrued Expenses	38.6	40.4		40.4	42.9	42.6	41.3	41.8	42.2
Accrued Interest	1.4	-		-	-	-	-	-	-
Deferred Revenue	36.9	33.6		33.6	33.3	30.7	31.8	31.1	31.1
Total Current Liabilities	$92.6	$89.8		$89.8	$93.0	$90.0	$89.1	$88.9	$89.6
Debt									
Existing Revolver	21.0	-		-	-	-	-	-	-
Existing Term Loan	432.9	430.6	*(430.6)*	-	-	-	-	-	-
Existing 2013 PIK Notes	22.7	24.8	*(24.8)*	-	-	-	-	-	-
Existing 2011 Senior Subordinated Notes	7.5	7.5	*(7.5)*	-	-	-	-	-	-
Existing 2013 Senior Subordinated Notes	332.1	355.8	*(355.8)*	-	-	-	-	-	-
New Revolver Facility	-	-		-	-	-	-	-	-
New First Lien Notes	-	-	*385.0*	385.0	364.8	340.7	304.4	268.2	229.6
New Second Lien Notes	-	-	*140.0*	140.0	140.0	140.0	140.0	140.0	140.0
Capitalized Interest	198.4	175.2	*(175.2)*	-	-	-	-	-	-
Existing 2013 Senior Subordinated Notes to be Issued	0.3	0.5	*(0.5)*	-	-	-	-	-	-
Deferred Consent Fees and Deferred Revenue	8.8	9.4	*(7.4)*	2.0	2.0	2.0	2.0	2.0	2.0
Deferred Income Taxes	82.7	85.7		85.7	85.7	85.7	85.7	85.7	85.7
Total Liabilities	$1,198.9	$1,179.3		$702.5	$685.5	$658.4	$621.2	$584.8	$546.9
Stockholders' Equity/(Deficit)	(578.4)	(554.9)	*503.3*	(51.6)	(41.4)	(18.9)	8.1	41.1	75.7
Total Liabilities and Stockholders' Equity	$620.5	$624.3		$650.9	$644.0	$639.4	$629.2	$625.9	$622.7

(1) FY2010A and beyond reflect management's internal reporting methodology as opposed to external reporting methodology

Exhibit H

Reorganization Value Analysis

VALUATION OF THE REORGANIZED DEBTORS

At the Debtors' request, Moelis & Company LLC ("***Moelis***"), as financial advisor to the Debtors, performed a valuation analysis of the Reorganized Debtors. Based upon and subject to the review and analysis described herein, and subject to the assumptions, limitations and qualifications described herein, Moelis' view, as of October 11, 2010, was that the estimated going concern enterprise value of the Reorganized Debtors, as of October 11, 2010, was in a range between $680 million and $740 million with a midpoint of $710 million. Based upon such estimated range of the enterprise values of the Reorganized Debtors, the Debtors have calculated an estimated range of equity values for the Reorganized Debtors of approximately $189 million to $249 million with a midpoint of $219 million. Moelis' views are necessarily based on economic, monetary, market and other conditions as in effect on, and the information made available to Moelis as of the date of its analysis (October 11, 2010). It should be understood that, although subsequent developments may affect Moelis' views, Moelis does not have any obligation to update, revise or reaffirm its estimate.

Moelis' analysis is based, at the Debtors' direction, on a number of assumptions, including, among other assumptions, that (i) the Debtors will be reorganized in accordance with the Plan which will be effective on or prior to December 31, 2010, (ii) the Reorganized Debtors will achieve the Forecast (as defined in Exhibit "G" to this Disclosure Statement) provided to Moelis by the Debtors for fiscal years 2011 to 2015; (iii) Reorganized Debtors' capitalization and available cash will be as set forth in the Plan and this Disclosure Statement (in particular, the pro forma indebtedness of Reorganized Debtors as of the Effective Date will be a maximum of $525 million) and (iv) Reorganized Debtors will be able to obtain all future financings, on the terms and at the times, necessary to achieve the Forecast. Moelis makes no representation as to the achievability or reasonableness of such assumptions.

Moelis assumed, at the Debtors' direction, that the Forecast prepared by the Debtors' management was reasonably prepared on a basis reflecting the best currently available estimates and judgments of the Debtors' management as to the future financial and operating performance of the Reorganized Debtors. The future results of the Reorganized Debtors are dependent upon various factors, many of which are beyond the control or knowledge of the Debtors, and consequently are inherently difficult to forecast. See "Pro Forma Financial Forecast Analysis," a copy of which is attached hereto as Exhibit "G." The Reorganized Debtors' actual future results may differ materially (positively or negatively) from the Forecast and as a result, the actual enterprise value of the Reorganized Debtors may be significantly higher or lower than the estimated range herein. Among other things, failure to consummate the Plan in a timely manner may have a materially negative impact on the enterprise value of the Reorganized Debtors.

The estimated enterprise value in this section represents a hypothetical enterprise value of the Reorganized Debtors as the continuing operators of the business and assets of the Debtors, after giving effect to the Plan, based on the application of certain generally accepted valuation methodologies as described below. The estimated enterprise value in this section does not purport to constitute an appraisal or necessarily reflect the actual market value that might be realized through a sale or liquidation of the Reorganized Debtors, its securities or its assets, which may be significantly higher or lower than the estimated enterprise value range herein. The actual value of an operating business such as the Reorganized Debtors' business is subject to uncertainties and contingencies that are difficult to predict and will fluctuate with changes in various factors affecting the financial condition and prospects of such a business.

In conducting its analysis, Moelis, among other things: (i) reviewed certain publicly available business and financial information relating to the Reorganized Debtors that Moelis deemed relevant; (ii) reviewed certain internal information relating to the business, earnings, cash flow, assets, liabilities and prospects of the Reorganized Debtors, including the Forecast, furnished to us by the Debtors; (iii) conducted

discussions with members of senior management and representatives of the Debtors concerning the matters described in clauses (i) and (ii) of this paragraph, as well as their views concerning the Debtors' business and prospects before and after giving effect to the Plan; (iv) reviewed publicly available financial and stock market data, including valuation multiples, for certain other companies in lines of business that Moelis deemed relevant; (v) reviewed a draft of the Plan prior to the date of our analysis; and (vi) conducted such other financial studies and analyses and took into account such other information as we deemed appropriate. In connection with its review, Moelis did not assume any responsibility for independent verification of any of the information supplied to, discussed with, or reviewed by Moelis and, with the consent of the Debtors, relied on such information being complete and accurate in all material respects. In addition, at the direction of the Debtors, Moelis did not make any independent evaluation or appraisal of any of the assets or liabilities (contingent, derivative, off-balance-sheet, or otherwise) of the Reorganized Debtors, nor was Moelis furnished with any such evaluation or appraisal. Moelis also assumed, with the Debtors' consent, that the final form of the Plan does not differ in any respect material to its analysis from the draft that Moelis reviewed.

The estimated enterprise value in this section does not constitute a recommendation to any holder of a Claim as to how such person should vote or otherwise act with respect to the Plan. Moelis has not been asked to and does not express any view as to what the trading value of the Reorganized Debtors' securities would be when issued pursuant to the Plan or the prices at which they may trade in the future. The estimated enterprise value set forth herein does not constitute an opinion as to fairness from a financial point of view to any person of the consideration to be received by such person under the Plan or of the terms and provisions of the Plan.

Valuation Methodologies

In preparing its valuation, Moelis performed a variety of financial analyses and considered a variety of factors. The following is a brief summary of the material financial analyses performed by Moelis, which consisted of (a) a selected publicly traded companies analysis, (b) a selected transactions analysis and (c) a discounted cash flow analysis. This summary does not purport to be a complete description of the analyses performed and factors considered by Moelis. The preparation of a valuation analysis is a complex analytical process involving various judgmental determinations as to the most appropriate and relevant methods of financial analysis and the application of those methods to particular facts and circumstances, and such analyses and judgments are not readily susceptible to summary description.

A. ***Selected Publicly Traded Companies Analysis.*** The selected publicly traded companies valuation analysis is based on the enterprise values of selected publicly traded companies that have operating and financial characteristics comparable in certain respects to the Reorganized Debtors, for example, comparable lines of business, business risks, growth prospects, market presence and size and scale of operations. Under this methodology, certain financial multiples and ratios that measure financial performance and value are calculated for each selected company and then applied to the Reorganized Debtors' Forecast to imply an enterprise value for the Reorganized Debtors. Moelis used, among other measures, enterprise value (defined as market value of equity plus book value of debt, book value of preferred stock and minority interests less cash, subject to adjustment where appropriate) for each selected company as a multiple of such company's publicly available projected EBITDA. Although the selected companies were used for comparison purposes, no selected company is either identical or directly comparable to the business of the Reorganized Debtors. Accordingly, Moelis' comparison of the selected companies to the business of the Reorganized Debtors and analysis of the results of such comparisons was not purely mathematical, but instead necessarily involved complex considerations and judgments concerning differences in financial and operating characteristics and other factors that could affect the relative values of the selected companies and the Reorganized Debtors. The selection of appropriate companies for analysis is a matter of judgment and subject to

limitations due to sample size and the public availability of meaningful market-based information. There are no publicly traded pure-play magazine publishers. The most relevant and comparable companies to the Reorganized Debtors are either not publicly traded or are divisions of publicly traded companies whose operations and financial reporting include other less comparable lines of business.

B. ***Selected Transactions Analysis*.** The selected transactions analysis is based on the enterprise values of companies involved in public merger and acquisition transactions that have operating and financial characteristics comparable in certain respects to the Reorganized Debtors. Under this methodology, the enterprise value of each such company is determined by an analysis of the consideration paid and the debt assumed in the merger or acquisition transaction. The enterprise value is then applied to the target's last twelve month EBITDA prior to the transaction announcement date to calculate an EBITDA multiple. These multiples (to the extent available) would then be applied to the Reorganized Debtors' last twelve month EBITDA to imply an enterprise value for the Reorganized Debtors.

Unlike the selected publicly traded companies analysis, the enterprise valuation derived using this methodology reflects a "control" premium (i.e., a premium paid to purchase a majority or controlling position in a company's assets). Thus, this methodology generally produces higher valuations than the selected publicly traded companies analysis. In addition, other factors not directly related to a company's business operations can affect a valuation in a transaction, including, among others factors: (a) circumstances surrounding a merger transaction may introduce "diffusive quantitative results" into the analysis (i.e., a buyer may pay an additional premium for reasons that are not solely related to competitive bidding); (b) the market environment is not identical for transactions occurring at different periods of time; (c) the sale of a discrete asset or segment may warrant a discount or premium to the sale of an entire company depending on the specific operational circumstances of the seller and acquirer; and (d) circumstances pertaining to the financial position of the company may have an impact on the resulting purchase price (i.e., a company in financial distress may receive a lower price due to perceived weakness in its bargaining leverage).

Moelis evaluated various merger and acquisition transactions that have occurred in the magazine publishing industry over the past eight years. Over that time period, there were a limited number of transactions, and of those that are relevant, limited financial information was disclosed. In addition, many of these transactions occurred under materially different capital market and operating conditions from those prevailing currently. For these reasons, Moelis did not rely on the selected transactions analysis in its analysis of the Reorganized Debtors' enterprise value.

C. ***Discounted Cash Flow Analysis.*** The discounted cash flow ("***DCF***") analysis is a forward-looking enterprise valuation methodology that estimates the value of an asset or business by calculating the present value of expected future cash flows to be generated by that asset or business. Moelis' DCF analysis used the Reorganized Debtors' Forecast of its debt-free, after-tax cash flows for the period covered by the Forecast and estimated a range of terminal values for the period after the Forecast period. These cash flows and estimated terminal values were then discounted at a range of appropriate weighted average costs of capital, which are determined by reference to, among other things the average cost of debt and equity of selected publicly traded companies. The discounted cash flow analysis involves complex considerations and judgments concerning appropriate terminal values and discount rates.

Valuation Considerations

As a result of the foregoing, the estimated enterprise value in this section is not necessarily indicative of actual value, which may be significantly higher or lower than the estimate herein. Accordingly, none of

the Debtors, Moelis or any other person assumes responsibility for the accuracy of such estimated enterprise value. Depending on the actual financial results of the Debtors or changes in the financial markets, the enterprise value of the Reorganized Debtors as of the Effective Date may differ from the estimated enterprise value set forth herein as of October 11, 2010. In addition, the market prices, to the extent there is a market, of Reorganized Debtor's securities will depend upon, among other things, prevailing interest rates, conditions in the financial markets, the investment decisions of prepetition creditors receiving such securities under the Plan (some of whom may prefer to liquidate their investment rather than hold it on a long-term basis), and other factors that generally influence the prices of securities.

Exhibit I

Liquidation Analysis

LIQUIDATION ANALYSIS

The Debtors have prepared this hypothetical liquidation analysis (the "***Liquidation Analysis***") in connection with the filing of the Plan and Disclosure Statement. The Liquidation Analysis indicates the estimated values that may be obtained by Classes of Claims upon disposition of the Debtors' assets, pursuant to a liquidation under chapter 7 of the Bankruptcy Code, as an alternative to continued operation of the Debtors' business, as contemplated under the Plan. Accordingly, asset values discussed herein differ from amounts referred to in the Plan. The Liquidation Analysis is based upon the assumptions discussed herein and in the Disclosure Statement. All capitalized terms used but not defined in this Liquidation Analysis have the meanings ascribed to them in the Disclosure Statement.

The Liquidation Analysis assumes that the Debtors' current Chapter 11 Cases convert to chapter 7 cases on or about the Petition Date (the "***Liquidation Date***") and that the Debtors' operations are wound down in an orderly manner and their assets are liquidated.

The Liquidation Analysis is based on the forecasted balance sheet as of September 30, 2010, unless otherwise stated. The book values are assumed to be representative of the Debtors' assets and liabilities as of the Liquidation Date. The Liquidation Analysis represents an estimate of recovery values and percentages based upon a hypothetical liquidation of the Debtors if a chapter 7 trustee (the "***Trustee***") were appointed by the Bankruptcy Court to convert assets into cash. The determination of the hypothetical proceeds from the liquidation of assets is an uncertain process involving the extensive use of estimates and assumptions that, although considered reasonable by the Debtors' management, are inherently subject to significant business, economic and competitive uncertainties and contingencies beyond the control of the Debtors and their management. **ACCORDINGLY, THE DEBTORS DO NOT MAKE ANY REPRESENTATION OR WARRANTY THAT THE ACTUAL RESULTS OF A LIQUIDATION OF THE DEBTORS WOULD OR WOULD NOT APPROXIMATE THE ASSUMPTIONS REPRESENTED HEREIN. ACTUAL RESULTS COULD VARY MATERIALLY.**

In preparing the Liquidation Analysis, the Debtors have estimated an amount of Allowed Claims for each Class of Claims. The estimate of all Allowed Claims in the Liquidation Analysis is based on the book value of those Claims. No order or finding has been entered or made by the Bankruptcy Court estimating or otherwise fixing the amount of Claims at the forecasted amounts of allowed claims set forth in the Liquidation Analysis. The estimate of the amount of allowed claims set forth in the Liquidation Analysis should not be relied upon for any other purpose, including, without limitation, any determination of the value of any distribution to be made on account of Allowed Claims under the Plan. The actual amount of Allowed Claims could be materially different from the amount of Claims estimated in the Liquidation Analysis. The Liquidation Analysis envisions the orderly wind-down and liquidation of substantially all of the Debtors' operations over a 6 month period (the "***Wind-Down Period***").

LIQUIDATION ANALYSIS SUMMARY

($ in millions)	Notes	9/30/2010E Book Value (Unaudited)	Estimated Recovery (%) Low	Estimated Recovery (%) High	Estimated Liquidation ($) Low	Estimated Liquidation ($) High
Cash	A	$39.8	100.0%	100.0%	$39.8	$39.8
Trade Receivables, net	B	44.9	75.0%	85.0%	33.7	38.2
Inventories	C	16.5	--	--	--	--
Prepaid Expenses	D	20.1	4.0%	6.0%	0.8	1.2
Property and Equipment, net	E	7.0	5.0%	10.0%	0.4	0.7
Deferred Rack Costs, net	F	10.3	--	--	--	--
Deferred Debt Costs, net	G	9.0	--	--	--	--
Other Long-term Assets	H	3.5	--	--	--	--
Goodwill, net	I	230.9	--	--	--	--
Tradenames and Other Intangibles, net	J	270.3	--	--	--	--
Recovery from Sale of Magazine Titles	K	NA			225.0	320.0
Gross Liquidation Proceeds		**$652.4**			**$299.7**	**$399.9**
Less: Wind-Down Costs						
Shutdown Costs	L				2.0	2.0
Restructuring Related Transaction Costs	M				12.0	16.0
Total Liquidation Costs					**$14.0**	**$18.0**
Net Liquidation Proceeds Available for Secured Debt					**$285.7**	**$381.9**
Senior Secured Revolver		35.0			21.2	28.3
Senior Secured Term Loan		430.6			260.2	347.9
Deferred Financing Fees		7.2			4.3	5.8
Total Secured Claims		**$472.8**	**60.4%**	**80.8%**	**$285.7**	**$381.9**
Net Liquidation Proceeds Available for Unsecured Claims					**--**	**--**
Accounts Payable		14.7	--	--	--	--
Accrued Expenses		43.0	--	--	--	--
2013 PIK Notes		23.7	--	--	--	--
Accrued Interest on 2013 PIK Notes		0.9	--	--	--	--
2011 Senior Subordinated Notes		7.5	--	--	--	--
2013 Senior Subordinated Notes		355.8	--	--	--	--
Accrued Interest on Senior Subordinated Notes		20.8	--	--	--	--
Total Unsecured Claims	N	**$466.4**			**--**	**--**
Net Liquidation Proceeds Available for Equity					**--**	**--**

NOTES TO LIQUIDATION ANALYSIS ($ in millions)

A. ***Cash***. The book cash balance as of September 30, 2010 was approximately $42.8. The Liquidation Analysis assumes that under all scenarios, the balance will remain the same at the Liquidation Date. The book cash balance is net of cash held by the Debtors' Weider UK operations of approximately $1.6 and cash reserved for Mr. Olympia cash prizes of approximately $1.4.

B. ***Trade Receivables, net***. The analysis of accounts receivable assumes that the Trustee would retain certain existing staff of the Debtors to handle an aggressive collection effort of outstanding trade accounts receivable from customers. The liquidation value of accounts receivable was estimated by applying a recovery factor consistent with the Debtors' experience in collecting accounts receivable. The estimates also consider the inevitable difficulty a liquidating company has in collecting its receivables and any concessions that might be required to facilitate the collection of certain accounts.

C. ***Inventories***. Inventories are primarily related to raw materials, including paper, and finished goods (i.e. magazine titles). The Liquidation Analysis assumes that the value of inventories is embedded in the recovery from sale of magazine titles.

D. ***Prepaid Expenses***. Prepaid expenses include primarily capitalized magazine costs, prepaid insurance, volume rebates, prepaid postage and receivables related to RADAR Online. The Liquidation Analysis assumes minimal recovery of prepaid expenses.

E. ***Property and Equipment, net***. Property and equipment includes primarily capitalized computer costs, such as computers and servers, as well as furniture, fixtures, equipment and vehicles. The Liquidation Analysis assumes liquidation of property and equipment in an orderly manner in order to maximize recovery, although any recovery is expected to be minimal.

F. ***Deferred Rack Costs, net***. Deferred rack costs are capitalized fees that the Debtors pay to retailers to place the Debtors' publications in display racks within the checkout section of supermarkets and other large retailers, typically for a three year term. The Liquidation Analysis assumes that the value of deferred rack costs is embedded in the recovery from sale of magazine titles.

G. ***Deferred Debt Costs, net***. No recovery is anticipated for deferred debt costs, which represent amortization of debt financing costs over the life of the related indebtedness.

H. ***Other Long-term Assets***. Other long-term assets include primarily deposits for leases, utilities and other assorted deposits relating to various vendors and tax liabilities. The Liquidation Analysis assumes no recovery for other long-term assets.

I. ***Goodwill, net***. The Liquidation Analysis assumes that the value of goodwill is embedded in the recovery from sale of magazine titles.

J. ***Tradenames and Other Intangible Assets, net***. The Liquidation Analysis assumes that the value of tradenames and other intangible assets is embedded in the recovery from sale of magazine titles.

K. ***Recovery from Sale of Magazine Titles***. The Liquidation Analysis assumes that select magazine titles of the Debtors are sold on a going concern basis due to the expectation that this would lead

to a greater recovery for shareholders than if liquidated. The sale price of each of the titles was determined based on reference to observed market and transaction multiples which were adjusted downward to reflect both the uncertainties and forced nature of the sales. Gross proceeds from the sales have been further reduced by estimated taxes and transaction fees payable upon consummation of the sales. Any working capital or other tangible assets, excluding inventory and deferred rack costs, associated with the titles are assumed to be liquidated in a separate process as discussed above. The indicative aggregate range of value for the recovery from sale of magazine titles is approximately $225 to $320.

L. ***Shutdown Costs***. The shutdown costs during the liquidation are based upon the assumption that certain employees would be retained to oversee the liquidation process. Additionally, certain facilities expenses would continue to be incurred.

M. ***Restructuring Related Transaction Costs***. Restructuring related transaction costs include trustee fees as well as other professional fees required by the Trustee, including legal and accounting fees, associated with a chapter 7 liquidation. The Liquidation Analysis assumes 4% of gross liquidation proceeds are reserved for restructuring related transaction costs.

N. ***Unsecured Claims***. Unsecured claims include Accounts Payable, Accrued Expenses, holders of 2013 PIK Notes, 2011 Senior Subordinated Notes and 2013 Senior Subordinated Notes. Accounts Payable, Accrued Expenses and holders of the 2013 PIK Notes will receive recovery first following satisfaction in full of the secured claims. All other holders of unsecured claims will receive a *pro rata* recovery following satisfaction in full of Accounts Payable, Accrued Expenses and 2013 PIK Notes claims.