

PRIMEDIA INC  
Form 10-K  
March 16, 2009  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-K**

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the Fiscal Year Ended: December 31, 2008

OR

.. TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
Commission File number: 1-11106

**PRIMEDIA Inc.**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)  
**3585 Engineering Drive, Norcross, Georgia**  
(Address of principal executive offices)

**(678) 421-3000**

(Registrant's telephone number, including area code)

**13-3647573**  
(I.R.S. Employer

Identification No.)  
**30092**  
(Zip Code)

Securities registered pursuant to Section 12(b) of the Act:

## Edgar Filing: PRIMEDIA INC - Form 10-K

Title of Each Class	Name of Each Exchange on Which Registered
<b>Common Stock, par value \$0.01 per share</b>	<b>New York Stock Exchange</b>

Securities registered pursuant to Section 12(g) of the Act:

**None**

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

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

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

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

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

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

Indicate by check mark whether the registrant is a shell company. Yes  No

The aggregate market value of the voting common equity of PRIMEDIA Inc. ( PRIMEDIA ) which is held by non-affiliates of PRIMEDIA, computed by reference to the closing price as of the last business day of the registrant's most recently completed second fiscal quarter, June 30, 2008, was approximately \$82.8 million. The registrant has no non-voting common stock.

As of March 2, 2009, 44,009,205 shares of PRIMEDIA's Common Stock were outstanding.

The following documents are incorporated into this Form 10-K by reference: Part III of this Report on Form 10-K incorporates information by reference from the registrant's Proxy Statement for its 2009 Annual Meeting of Stockholders to be held on May 20, 2009. The definitive Proxy Statement will be filed within 120 days of the end of the fiscal year ended December 31, 2008.

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We include cross references to captions elsewhere in this Annual Report on Form 10-K, which we refer to as this Report, where you can find related additional information. The following table of contents tells you where to find these captions.

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**IMPORTANT INFORMATION ABOUT THIS REPORT**

In this Report, the words PRIMEDIA, Company, we, us and our mean PRIMEDIA Inc., including its subsidiaries, unless the context otherwise specifies or requires.

This document contains forward-looking statements that is, statements related to future, not past, events. In this context, forward-looking statements often address our expected future business and financial performance, and often contain words such as expects, anticipates, intends, plans, believes, seeks or will. Forward-looking statements by their nature address matters that are, to different degrees, uncertain. For us, particular uncertainties which could adversely or positively affect our future results include, among others: general economic trends and conditions and, in particular, continuing negative trends and conditions in the new home sales sector of the residential real estate industry; changes in technology and competition; implementation and results of our ongoing strategic initiatives; demand by customers for our premium services; expenses or adverse results of our ongoing litigation; changes in U.S. federal tax laws; increases in paper costs; the inability to maintain the New York Stock Exchange's continued listing standards for our common stock; and numerous other matters of national, regional and local market scale, including those of a political, economic, business, competitive and regulatory nature. These uncertainties may cause our actual future results to be materially different than those expressed in our forward-looking statements. We do not undertake to update our forward-looking statements.

**PART I**

**ITEM 1. BUSINESS**

**General**

We are an integrated media company that publishes and distributes advertising-supported print and online consumer guides, primarily for the apartment and other rental property sectors of the residential real estate industry. Our print and online guides are provided free of charge to end users. In 2008, we distributed approximately 23 million of our print guides to approximately 51,000 U.S. locations through our proprietary distribution network, DistribuTech. Our principal digital assets include the websites associated with our print publications and Internet-only offerings, including ApartmentGuide.com, Rentals.com, RentalHouses.com, NewHomeGuide.com and AmericanHomeGuide.com.

Over the past several years, we have aggressively divested assets no longer part of our current core businesses. Our continuing operations are currently comprised solely of what has been described historically as the Consumer Guides segment.

**Apartments**

*Apartment Guide*

Thirty-four years old, Apartment Guide is our flagship product and largest business, comprising approximately 84.3% of our advertising revenue for 2008 and 87.2% of our advertising revenue for the fourth quarter of 2008. Apartment Guide delivers apartment and apartment community rental information to consumers via print, Internet and mobile devices. Apartment Guide currently publishes 77 print guides in 74 markets, averaging over 18,000 apartment community listings in print over 40% more listings than our nearest print competitor within these markets with a combined 2008 circulation of approximately 15 million.

ApartmentGuide.com and RentRentar.com, our Spanish-language edition of ApartmentGuide.com, are available throughout all U.S. markets. Our websites offer many premium features not available through our print products, including virtual tours, flexible search functionality, detailed photos and floorplans, as well as detailed and original information on neighborhoods.

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Apartment Guide advertising revenue is generated primarily from property management companies that manage larger apartment communities (generally in excess of 50 units) that experience vacancies on a regular basis. The majority of Apartment Guide advertising revenue is derived from contracts at least 12 months in duration, and a majority of these contracts are renewed when they expire. Most of our Apartment Guide print publications are published monthly.

In the 74 markets in which Apartment Guide publishes a print guide, its product offerings are built upon an integrated media package, featuring both print and online advertising. In markets where we do not publish a print version of our guides, Apartment Guide offers a variety of Internet-only packages.

Apartment Guide's national competitors, print and online or online only, include Move, Inc., owner of Move.com, eBay, owner of Rent.com, Dominion Enterprises, publisher of For Rent, Network Communications Inc., publisher of Apartment Finder, and Classified Media Ventures, owner of Apartments.com.

#### *Rentals.com*

Rentals.com is a residential real estate rental website with what we believe to be the most comprehensive collection of paid listings of rental properties on the Internet. Landlords, investors and property managers use Rentals.com to list their rental vacancies, most often through the self-provisioning feature of our website we call the Ad Store, and peruse expert advice and tips on managing their rental properties or the property management business. Consumers searching for a rental property can efficiently search over 50,000 listings and obtain detailed information on metropolitan areas and neighborhoods. Types of rentals listed on Rentals.com include: single-family homes, condominiums, town homes, vacation homes, single-unit apartments and apartment communities.

Listings on the Rentals.com network of websites are generally purchased on a monthly basis through our Ad Store, the self-provisioning feature of our website, and longer-term packages are available for property management company clients. Listings include unlimited photos, property descriptions and other features, such as Google Maps. A majority of our customer base is derived from the Ad Store, while a majority of the listings are derived from property management companies.

Rentals.com's competitors include RealeIS, LLC, which owns HomeRentals.net, eBay, owner of Rent.com, Classified Ventures LLC, which owns RentalHomesPlus.com, Move, Inc., owner of Move.com, and, to a lesser extent, traditional print newspapers.

#### **New Homes**

Our New Homes division provides display and classified advertising for new home builders to showcase product and inventory on a national and local basis through a network of home-related websites, including NewHomeGuide.com, AmericanHomeGuides.com, NewHomeDirectory.com, FloridaGuide.com, and many others specific to major home building states and metropolitan areas. As of December 31, 2008, New Homes published 32 print guides, distributed in 18 states and Washington, D.C., averaging over 4,300 new home community listings with a combined 2008 circulation of approximately 7 million. New Homes advertising revenue is generated primarily from new home builders and advertising agencies representing builders.

In the 27 markets in which our New Homes businesses publish a print guide, product offerings are built upon an integrated media package, featuring both print and online advertising. New Homes publications are published bi-monthly. In markets where we do not publish a print version of our guides, New Homes offers a variety of Internet-only packages.

During 2008, we ceased publication of two New Home Guide Professional Editions. In early 2009, we announced that we were suspending additional print publications, while focusing on Internet offerings in related markets, as we continue to reduce our cost structure for this business to offset expected revenue losses.

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Our New Homes division competes primarily with national competitors such as Move, Inc., owner of Move.com, and Network Communications, Inc., publisher of New Home Finder. We also compete with Housing Guide of America, a consortium of local and regional magazine publishers, Builder Homesite, Inc., owner of newhomesource.com, and Lending Tree, LLC, owner of the iNest real estate brokerage.

### **DistribuTech**

DistribuTech distributes free magazines, including PRIMEDIA guides and over 2,400 third-party titles, flyers and special piece advertising materials, to more than 51,000 locations in 41 states. DistribuTech maintains community rack programs, many of which are on an exclusive basis, with several large national and regional retail chains, including grocery, drug, convenience, video, fitness and mass merchandise retailers. The free publications are typically displayed in free-standing, multi-pocket racks located in high-visibility, high-traffic locations at the entrance or exit of these locations.

Historically, the primary function of our DistribuTech business has been to ensure priority placement for PRIMEDIA publications and to reduce our overall distribution costs. Revenue from third-party customers who pay DistribuTech for distribution services contributes to this reduction in costs. Our DistribuTech business continues to experience a significant loss of revenue from third-party customers, particularly those who publish free resale home and automobile sales publications, which are scaling back or ceasing operations or providing an Internet-only product. We intend to continue to reduce our cost structure for this business to offset, in part, expected revenue losses.

DistribuTech competes for third-party publication distribution, primarily on the basis of distribution locations, price and service. DistribuTech's primary competitor is Dominion Distribution Services, a division of Dominion Enterprises.

### **Technology**

We use technology to improve our operations by increasing productivity, improving effectiveness and minimizing costs. With the introduction of mobile technologies, such as wireless data networks and laptop/handheld technologies, the use of technology has expanded within our organization to include customer relationship management activities and business workflow functionality.

We backup critical website data at various times throughout the day and retain it at certified third-party facilities. We have firewalls and switchgear designed to help ensure network security. We rely increasingly on hosted providers for many of our corporate applications. These applications are provided over our network to us and configured to meet our needs, although the software itself is not installed at our locations.

### **Production and Fulfillment**

All of our print products are printed and bound by independent printers. We believe that because of our buying power, outside printing services have been and will continue to be purchased at favorable prices. We provide most of the content for our websites, but we outsource some technology, production and content.

The principal raw material used in our products is paper, which is purchased from merchants. In 2008, paper prices fluctuated, but increased as the year ended. We expect paper costs to slightly decrease in 2009. We expect to offset existing costs through adjustment of our production metrics. In the future, our results could be adversely affected by increases in paper prices.

### **Sales and Marketing**

We sell our products and services through our direct sales force. Our sales force is comprised currently of approximately 490 sales personnel. The sales force is generally organized vertically, focusing on specific

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categories and product lines, and by market. Generally, sales personnel are responsible for developing new accounts and servicing existing customers. Most of our sales personnel live in the market they serve. We also maintain an in-house telemarketing sales force, supplemented by local and regional support in the field, that focus on specific customer segments within markets.

Our websites are marketed to end users through our print publications and through search engine optimization, e-mail marketing and online advertising, which we purchase on a non-exclusive basis with companies such as Google, MSN, Yahoo! and Advertising.com. We monetize visits to our websites through various advertising revenue formats, such as cost per impression, cost per click, cost per action and flat fees.

Our marketing personnel conduct a variety of marketing programs designed to raise the general awareness of our Company and our business units, generate leads for the sales organization and promote our various product lines. These programs include participation in trade shows and industry trade group participation, public relations, digital/online promotion, advertising and production of collateral literature.

We supplement our in-house sales force by utilizing a number of third-party services, affiliates and networks. In 2008, more than 89.3% of our Internet audience was generated through non-paid sources, such as repeat visitation, word-of-mouth, natural search and public relations. We selectively utilize paid-marketing sources, such as search engine marketing, affiliate relationships and co-branded partner deployments.

One of our individual advertisers comprised approximately 1.0% of our total revenue in 2008.

### **Employees**

During 2008, our overall headcount declined by approximately 12.6%, primarily due to the elimination of certain administrative and support positions as a result of automation and consolidation of functions, while our sales personnel headcount increased by approximately 6.5%. As of December 31, 2008, we had approximately 1,000 employees, of which approximately 20 were part-time, compared to approximately 1,150 employees at the end of 2007, of which approximately 25 were part-time. Our employees are not represented by any collective bargaining agreements. We consider our relations with our employees to be good.

### **Intellectual Property**

We own various registered trademarks, including Apartment Guide, and have service mark applications pending for others. We also have the right to use a number of unregistered service marks in connection with our businesses. So long as these marks remain in continuous use in connection with similar goods and services, their terms can be perpetual, subject, with respect to registered trademarks, to the timely renewal of such registrations in the United States Patent and Trademark Office. Some of our content and databases are copyrighted, as are certain of our software and user manuals. The absence of a registration does not waive copyright protection.

### **Divestitures and Assets and Liabilities of Businesses Held for Sale**

Over the past several years, we have aggressively sought to divest assets no longer part of our current core businesses.

We classified as discontinued operations the following entities within the Enthusiast Media segment during 2005: About.com, Ward's Automotive Group, the History and Crafts groups, and two magazine titles, which were shut down. During 2006, we completed the sale of the History and Crafts groups.

We sold our Business Information segment during 2005. Additionally, in 2005, we discontinued and shut down the operations of our Software on Demand division and also sold our Workplace Learning division, excluding PRIMEDIA Healthcare.

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During 2006, we discontinued and sold our Gems group, part of the Enthusiast Media segment. Additionally, during 2006, we announced that we had agreed to sell our Outdoors group, also part of the Enthusiast Media segment. The sale was completed during 2007.

We classified as discontinued operations the entire Education segment during the fourth quarter of 2006. Our Education segment was comprised of Channel One, a proprietary network for secondary schools; Films Media Group, a leading source of educational video; and PRIMEDIA Healthcare, a medical education business. During 2007, we completed the sales of Channel One and Films Media Group. In February 2007, we also announced our intent to explore the sale of our Enthusiast Media segment, and on August 1, 2007, we completed the sale.

During 2008, we completed the sale of the Auto Guides division and sold certain assets and liabilities of PRIMEDIA Healthcare. Discontinued operations for the years ended December 31, 2008, 2007 and 2006 include revenue of \$3.4 million, \$358.8 million and \$741.5 million, respectively, and (loss) income before (benefit) provision for income taxes of \$(9.2) million, \$50.9 million and \$67.4 million, respectively, which excludes gain on sale of businesses. The gain on sale of businesses, net of tax, was \$2.0 million, \$459.1 million and \$62.4 million for the years ended December 31, 2008, 2007 and 2006, respectively.

As of December 31, 2007, we had assets and liabilities of businesses held for sale of \$5.8 million and \$2.5 million, respectively, which represented the assets and liabilities of PRIMEDIA Healthcare and the Auto Guides division. As of December 31, 2008, there were no assets and liabilities of businesses held for sale.

Financial results for all divestitures are reported in discontinued operations on the consolidated statement of operations for all periods presented.

**Company Organization**

PRIMEDIA Inc. was incorporated on November 22, 1991 in the State of Delaware as K-III Communications Corporation. In 1997, we changed our name to PRIMEDIA Inc. Our principal executive offices are located at 3585 Engineering Drive, Norcross, Georgia 30092, and our telephone number is (678) 421-3000.

**Available Information**

We maintain an Internet website located at [www.primedia.com](http://www.primedia.com) on which, among other things, we make available, free of charge, various corporate governance materials and reports that we file or furnish to the United States Securities and Exchange Commission ( SEC ). Our Corporate Governance Guidelines, Code of Ethics, and charters for each of the Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee, are all provided on this website. We will post any waivers of our Code of Ethics granted to any of our directors or executive officers on the Investor Relations portion of this website. Our reports and other filings, including, without limitation, our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements and all other documents, including amendments thereto, filed with or furnished to the SEC, are made available as soon as practicable after their receipt by the SEC. We are not incorporating the information on our website into this Report, and our website and the information appearing on our website are not included in, and are not part of, this Report.

**ITEM 1A. RISK FACTORS**

Below, we have described our present view of certain important risk factors. This discussion of risk factors contains forward-looking statements, as discussed on page one of this Annual Report on Form 10-K. These risk factors may be important to understanding any statement in this Report or elsewhere. The following information should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and related notes in this Report.



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**We depend on large property management companies in the apartment leasing sector of the residential real estate industry for a majority of our revenue, and any industry developments that adversely affect the number and value of leasing transactions generated could adversely impact our financial results.**

The return on investment for our large property management company advertisers depends upon the comparison of how many leases are being generated for the managed communities in a particular local market, and the value of such leases, to the amount charged for our advertising. Many of the factors affecting the number and value of lease transactions are beyond our control. In markets where occupancy levels are extraordinarily high or extraordinarily low, the management company's return on investment can be adversely affected, and the management company may choose to decrease the level of advertising, which could adversely affect our revenue.

**Our new home guides and related websites depend on the new home sales sector of the residential real estate industry, which is cyclical.**

Approximately 15.7% of our 2008 advertising revenue was generated from sales of advertising products to new home builders in the residential real estate industry. This sector, which is cyclical, directly affects the success of our New Homes division. The return on investment for our new home builder advertisers depends on the success rate of actual sales that are closed in comparison to the advertising expenses paid. If our advertisers experience lower return on investment because actual sales decline for reasons beyond our control, they may choose to decrease their advertising budget, which would adversely affect our revenue.

The United States economy is currently experiencing its worst downturn in the residential real estate industry in over 50 years. The duration of this downturn, as is true of most trends in the real estate industry, is unpredictable, and as a result, our prospects in this area are also unpredictable. An economic recession, unfavorable taxation laws and regulations, higher credit standards, unavailability of mortgage loans, increased interest rates, increased unemployment, lower consumer confidence or lower wages can cause consumers to reduce their activity in the residential real estate industry, thus negatively impacting local new home sales markets.

**We rely on our proprietary distribution network as a competitive advantage, and our historical business model for this business involves relatively high fixed costs that we may be unable to adjust in a timely manner in response to a reduction in revenue.**

Historically, the primary function of DistribuTech has been to ensure priority placement for PRIMEDIA publications and to reduce our overall distribution costs. Revenue from third-party customers who pay DistribuTech for distribution services contributes to this reduction in costs. Our DistribuTech business continues to experience a significant loss of revenue from third-party customers, particularly those who publish free resale home and automobile sales publications, which are scaling back or ceasing operations or providing an Internet-only product.

As part of our distribution business, we enter into agreements with various retail chains for exclusive rights of distribution. Most of these agreements extend beyond one year in duration and contribute to relatively high fixed costs within this business. We are undertaking strategic initiatives to reduce the cost structure of our DistribuTech business, while maintaining our competitive advantage. However, our efforts may not ultimately achieve anticipated business goals, and, if we fail to achieve these goals, this business could be materially adversely affected.

**The market for our products and services is highly competitive.**

The markets for our products and services are dispersed throughout the United States. Generally, other print and online apartment and new home resources for the consumer represent our main competitors. To a lesser extent, we also compete with traditional newspapers and yellow pages.

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Innovations by competitors or other market participants may increase the level of competition in the markets in which we operate. This can include product, pricing or marketing innovations, new or improved services, technology advances, or new modes of doing business that enhance the consumer's ability to shop and compare offerings from multiple companies, among other initiatives. Our ability to react to such advances and navigate new competitive environments is important to our success.

In addition, some of our current and potential competitors may have greater financial, technical, operational and marketing resources than we have. Competitive pressures may also force prices for our services to decrease, which may adversely affect us.

#### **If any of our relationships with Internet search websites terminate, or if such websites' methodologies are modified, traffic to our websites and corresponding consumer origination volumes could decline.**

We depend, in part, on various Internet search websites, such as Google, MSN and Yahoo!, and other websites to direct a significant amount of traffic to our websites. Search websites typically provide two types of search results, algorithmic and purchased listings. Algorithmic listings cannot be purchased and, instead, are determined and displayed solely by a set of formulas designed by search engine companies. Other listings can be purchased and are displayed if particular word searches are performed on a search engine. We rely on both algorithmic and purchased search results, as well as advertising on other Internet websites, to direct a substantial share of the visitors to our websites and the advertiser customers we serve.

Our ability to maintain the flow of visitors directed to our websites by search websites and other Internet websites is not entirely within our control. For example, search websites frequently revise their algorithms in an attempt to optimize their search result listings. Changes in the methodologies used by search websites to display results could cause our websites to receive less favorable placements, which could reduce the number of users who link to our websites from these search websites. We may also make poor decisions regarding the purchase of search results or the placement of advertisements on other Internet websites, which could also reduce the number of users directed to our websites. Any reduction in the number of users directed to our websites would negatively affect our ability to earn revenue. If traffic on our websites declines, we may need to resort to more costly sources to replace lost traffic, and such increased expense could adversely affect our business and profitability.

#### **If we are unable to meet rapid changes in technology, our services and technology and systems may become obsolete.**

The Internet and e-commerce are constantly changing. Due to the costs and management time required to introduce new services and enhancements, we may not be able to respond in a timely manner to competitive innovations. To remain competitive, we must continue to enhance and improve the functionality and features of our online businesses. Further, to remain competitive, we must meet the challenges of the introduction by our competitors of new services using new technologies or the introduction of new industry standards and practices. In addition, the vendors we use to support our technology may not provide the level of service we expect or may not continue to provide their product or services on commercially reasonable terms or at all. If we fail to meet any of these potential changes or our vendors fail to provide the necessary support to our technology, our results of operations and financial condition could be negatively impacted.

#### **Our success and growth depend, to a significant degree, upon the protection of our intellectual property rights.**

As a media company, we have a significant intellectual property portfolio, especially copyrights and trademarks, and have allocated considerable resources toward intellectual property maintenance, prosecution and enforcement. For example, we hold and maintain or have pending applications for numerous copyrights and trademarks in connection with our various products and services, such as Apartment Guide. In addition, we also continuously develop and create proprietary software to enhance our ability to effectively and efficiently update

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the listings in our online and print publications. We may be unable to deter infringement or misappropriation of our data and other proprietary information, detect unauthorized use or take appropriate steps to enforce our intellectual property rights. Any unauthorized use of our intellectual property could make it more expensive for us to do business and consequently harm our business.

**If we are unable to obtain or maintain key website addresses, our ability to operate and grow our business may be impaired.**

Our website addresses, or domain names, are critical to our business. However, the regulation of domain names is subject to change, and it may be difficult for us to prevent third parties from acquiring domain names that are similar to ours, that infringe our trademarks or that otherwise decrease the value of our brands. If we are unable to obtain or maintain key domain names for the various areas of our business, our ability to operate and grow our business may be impaired.

**Increases in paper costs may have an adverse impact on our future financial results.**

The price of paper is a significant expense relating to our print products. We incurred paper price increases in both 2004 and 2005, after many years of stable or declining prices, with no increases during 2006. However, we experienced increased paper costs at the end of 2007 and 2008. We expect paper prices to only slightly decrease in 2009. Any future paper cost increases will have an adverse effect on our future results to the extent we are unable to offset these increases through adjustment of production metrics or by passing these increases through to our customers.

**Kohlberg Kravis Roberts & Co. L.P. ( KKR ) has control of our common stock and has the power to elect all the members of our Board of Directors and to approve any action requiring stockholder approval.**

As of March 2, 2009, approximately 59.1% of the outstanding shares of our common stock were held by investment partnerships of which KKR Associates, L.P. and KKR GP 1996 LLC are the general partners. KKR Associates and KKR GP 1996 have sole voting and investment power with respect to these shares.

Consequently, KKR Associates and KKR GP 1996 and their respective general partners and members, two of whom are also on our Board of Directors, control us and have the power to elect all of our directors and approve any action requiring stockholder approval, including adopting amendments to our certificate of incorporation and approving mergers or sales of all or substantially all of our assets. KKR Associates and KKR GP 1996 will also be able to prevent or cause a change of control at any time.

**Our stock price is volatile.**

Our common stock price has experienced substantial volatility in the past and may remain volatile in the future. Volatility can arise as a result of a number of the factors discussed in this Risk Factors section, as well as divergence between our actual or anticipated financial results and published expectations of analysts, and announcements that we, our competitors or our customers may make.

**If we are unable to meet the New York Stock Exchange ( NYSE ) continued listing requirements, the NYSE may delist our common stock, which could negatively affect the price of the common stock and your ability to sell the common stock.**

We previously announced on November 24, 2008 that the NYSE had notified us that we were considered below criteria specifically because our average total market capitalization was less than \$75 million over a consecutive 30 trading-day period. This required us to submit a plan that demonstrated our ability to achieve compliance with the continued listing standards within 18 months of receipt of the notice. On February 17, 2009, we announced that the New York Stock Exchange had notified us that it had accepted our proposed plan for continued listing on

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the NYSE. As a result of the acceptance, our common stock will continue to be listed on the NYSE, pending quarterly reviews by the NYSE's Listing and Compliance Committee to ensure progress against the plan.

In the future, we may not be able to meet the continued listing requirements of the NYSE. If we are unable to satisfy the NYSE criteria for continued listing, our common stock would be subject to delisting. Trading, if any, in our common stock would thereafter be conducted on another exchange or quotation system. As a consequence of any such delisting, a stockholder would likely find it more difficult to dispose of, or to obtain accurate quotations as to the prices for our common stock.

**We may be unable to realize the benefits of our net operating loss carryforwards ( NOLs ), and, as a result, lose our future tax savings, which could have a negative impact on our liquidity and financial position.**

NOLs may be utilized to offset federal and state taxable income in future years and eliminate income taxes otherwise payable on such taxable income, subject to certain adjustments. The Internal Revenue Service ( IRS ), or state taxing authorities could challenge the amount of the NOLs, which could result in increases in future income tax liabilities. Based on current federal and state corporate income tax rates, our NOLs could provide a benefit to us, if fully utilized, of significant future tax savings. However, if we do not have sufficient taxable income in future years to use the tax benefits before they expire, we will lose the benefit of these NOLs permanently. Our inability to utilize available NOLs, if any, could require us to pay substantial additional federal and state taxes and interest, which may adversely affect our liquidity and financial position.

**Future legislation may result in our inability to realize the tax benefits of our NOLs.**

It is possible that legislation or regulations will be adopted that would limit our ability to use the tax benefits associated with our NOLs. However, we are not currently aware of any proposed changes in the tax laws or regulations that would materially and adversely impact our ability to use available NOLs, if any.

**Our use of NOL carryforwards could be limited by ownership changes.**

In addition to the general limitations on the carryback and carryforward of NOLs under Section 172 of the Internal Revenue Code (the Code ), Section 382 of the Code imposes further limitations on the utilization of NOLs by a corporation following various types of ownership changes which result in more than a 50 percentage point change in ownership of a corporation within a three year period. Therefore, the future utilization of our NOLs may be subject to limitation for regular federal income tax purposes.

We cannot be certain that the limitations of Section 382 will not limit or deny in full our future utilization of available NOLs, if any. Such limitation or denial could require us to pay substantial additional federal and state taxes and interest. Moreover, we cannot be certain that future ownership changes will not limit or deny in full our future utilization of all of available NOLs. If we cannot utilize available NOLs, if any, we may be required to pay substantial additional federal and state taxes and interest. Such tax and interest liabilities may adversely affect our liquidity and financial position.

**The soundness of financial institutions could adversely affect us.**

We have relationships with several financial institutions as lenders under our credit facility and engage in transactions with other counterparties in the financial services industry. Defaults by, or even rumors or questions about, financial institutions or the financial services industry generally, could result in losses or defaults by these institutions. We believe that available credit under our revolving credit facility was recently effectively reduced by \$12.0 million as a result of the bankruptcy filing of Lehman Brothers Holdings Inc., the parent company of Lehman Brothers, Inc., which is a participating lender in the credit facility. In the event that the volatility of the financial markets further adversely affects these financial institutions, we may be unable to access our credit

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facility or complete financing transactions as intended, which could adversely affect our revenue and results of operations.

**Our credit agreement limits our business flexibility by imposing operating and financial restrictions on our operations.**

Our credit agreement imposes specific operating and financial restrictions on us. These restrictions impose conditions or limitations on our ability to, among other things:

- change the nature of our business;
- incur additional indebtedness;
- create liens on our assets;
- sell assets;
- issue stock;
- engage in mergers, consolidations or transactions with our affiliates;
- make investments in or loans to specific subsidiaries;
- make guarantees or specific restricted payments; and
- declare or make dividend payments on our common stock.

Our failure to comply with the terms and covenants in our credit agreement could lead to a default under the terms of such agreement, which would entitle the lenders to accelerate the indebtedness and declare all amounts owed due and payable. If that occurred, we might not be able to refinance otherwise satisfy our debt obligations, which could have a substantial adverse effect on our ability to continue as a going concern. We may not be able to comply with these restrictions in the future, or, in order to comply with these restrictions, we may have to forego opportunities that might otherwise be beneficial to us.

**Our accounting policies and methods are key to how we report our financial condition and results of operations and may require management to make estimates about matters that are uncertain.**

Accounting policies and methods are fundamental to how we record and report our financial condition and results of operations. Management must exercise judgment in selecting and applying many of these accounting policies and methods so they comply with accounting principles generally accepted in the United States of America ( GAAP ).

Management has identified certain accounting policies as being critical because they require management's judgment to ascertain the valuations of assets, liabilities, commitments and contingencies. A variety of factors could affect the ultimate value that is obtained either when earning income, recognizing an expense, recovering an asset or reducing a liability. We have established detailed policies and control procedures that are intended to ensure these critical accounting estimates and judgments are well controlled and applied consistently. In addition, the policies and procedures are intended to ensure that the process for changing methodologies occurs in an appropriate manner. Because of the uncertainty of estimates about these matters, we cannot guarantee that we will not be required to adjust accounting policies or restate prior period financial statements. See Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Policies and Estimates and Note 2, Summary of Significant Accounting Policies, to the consolidated financial statements in this Report for more information.

**ITEM 1B. UNRESOLVED STAFF COMMENTS**

None.

**Table of Contents****Index to Financial Statements****ITEM 2. PROPERTIES**

The following table sets forth certain information with respect to our principal locations as of December 31, 2008. These properties were leased by us initially for use in our operations, but as a result of divestitures and consolidations, certain of these properties are now leased to third-party tenants. Of the total of approximately 0.9 million rentable square feet currently under lease, approximately 0.3 million rentable square feet are fully subleased to third parties. We consider the locations presently used by us for our operations to be adequate for our present needs. If we are forced for any reason to vacate any of our facilities due to lease expirations or any other reasons, we believe that equally suitable alternative locations are available on equally favorable terms in all of the locations where we do business.

Principal Locations	Principal Use	Approximate Rentable Square Feet ( RSF )	Type of Ownership
			Expiration Date of Lease
New York, NY 1440 Broadway	Sublease	170,594	Lease expires in 2015; fully sublet as of December 31, 2008
New York, NY 261 Madison	Sublease	72,100	Lease expires in 2017; fully sublet as of December 31, 2008
Norcross, GA 3585 Engineering Drive	Executive and administrative offices	89,000	Lease expires in 2016

**ITEM 3. LEGAL PROCEEDINGS**

We are involved in lawsuits and claims, both actual and potential, including some that we have asserted against others, in which substantial monetary damages are sought. Although the result of any future litigation of such lawsuits and claims is inherently unpredictable, management believes that, in the aggregate, the outcome of all such lawsuits and claims will not have a material effect on the Company's long-term consolidated financial position or liquidity; however, any such outcome could be material to the results of operations of any particular period in which costs, if any, are recognized.

**ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS**

No matters were submitted to a vote of our stockholders, through the solicitation of proxies or otherwise, during the fourth quarter of 2008.

**Table of Contents****Index to Financial Statements****PART II****ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES****Market Information**

Our common stock is listed on the NYSE under the ticker symbol PRM. As of March 2, 2009, there were 578 holders of record of our common stock. The following table sets forth, for the quarterly periods indicated, the high, low and closing sales prices per share of our common stock as quoted on the NYSE at the end of regular trading, as well as the cash dividends declared per share of common stock:

2008 Quarters Ended	Stock Prices			Cash Dividends Declared per Share
	High	Low	Close	
March 31	\$ 9.18	\$ 5.69	\$ 7.35	\$ 0.07
June 30	7.54	4.65	4.66	0.07
September 30	4.74	2.20	2.43	0.07
December 31	2.51	0.69	2.17	0.07

  

2007 Quarters Ended	Stock Prices			Cash Dividends Declared per Share
	High	Low	Close	
March 31	\$ 16.50	\$ 9.72	\$ 15.96	\$
June 30	20.40	14.04	17.10	
September 30	17.94	12.48	14.04	2.15
December 31	14.83	7.01	8.50	

**Dividends**

Our bank credit facilities impose certain limitations on the amount of dividends permitted to be paid on our common stock. See Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity, Capital and Other Resources—Financing Arrangements.

We announced on March 12, 2009 that our Board of Directors had authorized our fifth regular quarterly cash dividend of \$0.07 per share of common stock, payable on March 31, 2009, to stockholders of record on March 23, 2009. We currently expect that we will continue to pay a regular quarterly dividend, at the discretion of our Board of Directors.

**Equity Compensation Plan Information**

Information required by this item with respect to our equity compensation plans is incorporated by reference to our Proxy Statement for our 2009 Annual Meeting of Stockholders. The definitive Proxy Statement will be filed within 120 days of the end of the fiscal year ended December 31, 2008.

**Recent Sales of Unregistered Securities**

There have been no recent sales of unregistered securities.

**Issuer Purchases of Equity Securities**

On December 4, 2008, our Board of Directors authorized a program to repurchase up to \$5.0 million of our common stock over the next 12 months. Under the terms of the repurchase program, we may repurchase shares in open market purchases or through privately negotiated transactions. We expect to use cash on hand to fund repurchases of our common stock. As of December 31, 2008, we had not repurchased any shares under the program, and \$5.0 million remained available for share repurchases. See Note 23, Subsequent Events, to the consolidated

financial statements in this Report for more information.



**Table of Contents****Index to Financial Statements****Performance Graph**

*The stock performance graph is not and shall not be deemed incorporated by reference by any general statement incorporating by reference this Report into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934 (collectively, the Acts ), except to the extent that we specifically incorporate this information by reference, and shall not otherwise be deemed filed under such Acts.*

The following graph assumes a \$100 investment on December 31, 2003 (including reinvestment of all dividends) in our common stock, the S&P 500 Index and a composite peer group of companies. The peer group consists of Autobytel Inc., Martha Stewart Living Omnimedia, Inc., Meredith Corp. and Move, Inc.

	Dec-03	Dec-04	Dec-05	Dec-06	Dec-07	Dec-08
<b>PRIMEDIA Inc.</b>	\$ 100	\$ 134	\$ 57	\$ 60	\$ 50	\$ 13
<b>S&amp;P © 500</b>	100	109	112	128	132	81
<b>Peer Group (4 Stocks)*</b>	100	134	112	126	74	26

\* The Four-Stock Peer Group consists of Autobytel Inc., Martha Stewart Living Omnimedia, Inc., Meredith Corp. and Move, Inc.

**ITEM 6. SELECTED FINANCIAL DATA**

The selected consolidated financial data were derived from the audited consolidated financial statements. The data should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and the related notes thereto included elsewhere herein.

**Table of Contents****Index to Financial Statements****PRIMEDIA INC. AND SUBSIDIARIES**

	2008	Years Ended December 31,			2004
		2007	2006	2005	
(Dollars in thousands, except per share amounts)					
<b>Operating Data:</b>					
Revenue, net	\$ 304,105	\$ 314,800	\$ 307,929	\$ 307,187	\$ 286,511
Depreciation and amortization of property and equipment	14,475	12,612	11,501	10,410	11,243
Amortization of intangible assets	2,870	3,492	3,286	3,140	3,174
Interest expense	19,338	77,660	126,940	128,980	120,506
Income (loss) from continuing operations	\$ 49,027	\$ (55,678)	\$ (65,114)	\$ (101,306)	\$ (109,991)
Discontinued operations, net of tax	10,441	547,123	103,344	665,924	145,461
Cumulative effect of change in accounting principle, net of tax(1)			22		
Net income	59,468	491,445	38,252	564,618	35,470
Preferred stock dividends(4)					(13,505)
Income applicable to common stockholders	\$ 59,468	\$ 491,445	\$ 38,252	\$ 564,618	\$ 21,965
Basic and diluted income (loss) applicable to common stockholders per common share(2):					
Income (loss) from continuing operations	\$ 1.11	\$ (1.26)	\$ (1.48)	\$ (2.31)	\$ (2.84)
Discontinued operations	0.24	12.40	2.35	15.19	3.35
Cumulative effect of change in accounting principle(1)			0.00		
Income applicable to common stockholders	\$ 1.35	\$ 11.14	\$ 0.87	\$ 12.88	\$ 0.51
Dividends declared per share of common stock	\$ 0.28	\$ 2.15	\$	\$	\$
Basic common shares outstanding (weighted-average)(2)	44,176,398	44,118,943	43,997,665	43,838,591	43,414,667
Diluted common shares outstanding (weighted-average)(2)	44,197,590	44,118,943	43,997,665	43,838,591	43,414,667
<b>Balance Sheet Data:</b>					
Goodwill and intangible assets, net	\$ 152,942	\$ 155,712	\$ 862,025	\$ 994,581	\$ 1,145,463
Total assets	286,154	256,864	1,254,329	1,389,468	1,559,048
Long-term debt(3)	245,531	247,575	1,316,959	1,456,770	1,635,964
Shares subject to mandatory redemption (Exchangeable preferred stock)(4)					474,559

**Notes to Selected Financial Data**

- (1) Effective January 1, 2006, we adopted Statement of Financial Accounting Standards ( SFAS ) No. 123(R), *Share-Based Payment*, using the modified prospective method. Prior to the adoption of this statement, we expensed the fair value of stock-based compensation for all grants, modifications or settlements made on or after January 1, 2003 in accordance with the provisions of SFAS No. 123, *Accounting for*

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*Stock-Based Compensation*, which was adopted on January 1, 2003 using the prospective method. Upon adoption of

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SFAS No. 123(R), we were also required to expense the fair value of any awards that were granted prior to January 1, 2003 and that were not fully vested as of January 1, 2006. The cumulative effect of adopting this change in accounting principle was less than \$0.1 million, which is included in the results of operations for the year ended December 31, 2006.

- (2) Income (loss) per common share has been determined based on income (loss) applicable to common stockholders, divided by the weighted-average number of common shares outstanding for all years presented.

The securities that could potentially dilute basic earnings per share in the future consist of 1.6 million warrants at December 31, 2008, 2007, 2006, 2005 and 2004; and an aggregate of 3.1 million, 3.2 million, 3.4 million, 3.6 million and 4.6 million stock options and shares of restricted stock as of December 31, 2008, 2007, 2006, 2005 and 2004, respectively. For the year ended December 31, 2008, potentially dilutive securities, including 2.7 million stock options and 1.6 million warrants to purchase common stock, were not included in the computation of diluted income per common share because their strike price was greater than the average market price of our common stock during the period, and their inclusion would be anti-dilutive. An additional 0.4 million shares of restricted stock were excluded from diluted earnings per share for the year ended December 31, 2008 because either they did not vest and were forfeited or the calculation under the treasury stock method resulted in no additional dilutive shares. For the years ended December 31, 2007, 2006, 2005 and 2004, potentially dilutive securities were not included in the computation of diluted income (loss) per common share because the effect of their inclusion, as measured against loss from continuing operations, would be anti-dilutive.

- (3) Excludes current maturities of long-term debt.

- (4) We adopted SFAS No. 150, *Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity*, prospectively, effective July 1, 2003, which required us to classify as long-term liabilities our Series D Exchangeable Preferred Stock, Series F Exchangeable Preferred Stock and Series H Exchangeable Preferred Stock and to classify dividends from preferred stock as interest expense. If SFAS No. 150 had been adopted on January 1, 2001, loss from continuing operations would have increased by \$22.7 million for the year ended December 31, 2003. The 2003 increase to loss from continuing operations has been reduced by a net gain of \$0.9 million on exchanges of the shares subject to mandatory redemption. During 2005, we purchased all of our outstanding shares subject to mandatory redemption.

**Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**  
**Introduction**

The following discussion and analysis summarizes our financial condition and operating performance and should be read in conjunction with our historical consolidated financial statements and notes thereto included elsewhere in this Report.

**Executive Summary**

*Our Business*

We are an integrated media company that publishes and distributes advertising-supported print and online consumer guides primarily for the apartment and other rental property sectors of the residential real estate industry. Our print and online guides are provided free of charge to end users. In 2008, we distributed approximately 23 million of our print guides to approximately 51,000 U.S. locations through our proprietary distribution network, DistribuTech. Our principal digital assets include the websites associated with our print publications and Internet-only offerings, such as ApartmentGuide.com, Rentals.com, RentalHouses.com, NewHomeGuide.com and AmericanHomeGuide.com.

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#### *Fiscal 2008 Fourth Quarter Results*

We had total revenue of \$73.4 million, representing a \$5.7 million year-over-year decrease, primarily due to a decrease in New Homes advertising revenue. Apartments, representing approximately 87% of fourth quarter advertising revenue, grew revenue 2.7% on a year-over-year basis, driven by increased customer count and apartment community listings.

Income from continuing operations increased \$29.7 million to \$34.7 million, or \$0.78 per diluted common share, primarily due to the release of \$29.3 million in deferred tax asset valuation allowance.

Net income increased \$44.6 million to \$32.0 million, or \$0.72 per diluted common share, primarily due to the release of the deferred tax asset valuation allowance, partially offset by a \$6.0 million charge for litigation-related losses.

#### *2008 Summary Consolidated Results*

In 2008, revenue was \$304.1 million, down 3.4% as compared to \$314.8 million in 2007. In 2008, costs and expenses were \$282.1 million, down 30.0% compared to \$403.2 million in 2007.

In 2008, income from continuing operations was \$49.0 million, up from a loss of \$55.7 million in 2007.

Net income was \$59.5 million in 2008, including gain on sale of businesses, net of tax, of \$2.0 million, compared to \$491.4 million in 2007, including gain on sale of businesses, net of tax, of \$459.1 million.

#### *Business Trends and Outlook*

During 2009, we intend to continue to grow our customer count and market share in our largest business, Apartment Guide, and pursue enhancements to our product portfolio and selective market and market segment expansion. We anticipate increasing our investment in search engine optimization and marketing. We also intend to aggressively grow our Rentals.com business by focusing on driving revenue growth and improving site engineering and performance, while increasing traffic, primarily through search engine optimization.

The residential real estate sales industry continues to suffer through an unprecedented collapse in demand and access to credit markets. As a result, we anticipate increasing pressure on our New Homes and DistribuTech businesses during 2009, with full year levels of percentage decline in revenue exceeding those experienced during the fourth quarter of 2008. We remain focused on managing costs for these businesses in accordance with anticipated levels of revenue and managing our client relationships to best position us for opportunities as macroeconomic conditions improve.

During 2008, we ceased publication of two New Home Guide Professional Editions. In early 2009, we announced that we were suspending additional print publications, while focusing on Internet offerings in related markets, as we continue to reduce our cost structure for this business to offset expected revenue losses.

We anticipate that DistribuTech will continue to be impacted by lower revenue from customers that publish free publications, particularly those within the resale home and automobile sales sectors, and are scaling back or ceasing operations or providing an Internet-only product. We intend to continue to reduce our cost structure for this business to offset, in part, expected revenue losses. Our overall goal is to create a more efficient distribution network by streamlining the expense structure, including through real estate consolidation and process automation, and optimizing the distribution footprint by eliminating less effective locations.

#### *Transition Plan*

We have relocated our corporate headquarters from New York to Norcross, Georgia. We continued to utilize certain of our New York-based functions through the first half of 2008 and to incur their associated costs.

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**Critical Accounting Policies and Estimates**

Management's discussion and analysis of our financial condition and results of operations is based upon the amounts reported in our consolidated financial statements, which have been prepared in accordance with GAAP. The preparation of these financial statements requires the use of estimates, judgments and assumptions that affect the reported amounts. The significant accounting policies, outlined in Note 2, Summary of Significant Accounting Policies, to the consolidated financial statements are integral to an understanding of management's discussion and analysis. The accounting policies and estimates that we believe are the most critical to an understanding of the results of operations and financial condition are those that require complex management judgment regarding matters that are highly uncertain at the time policies were applied and estimates were made. These accounting policies and estimates are discussed below. We base some of our estimates on historical experience and on various other assumptions that we believe are reasonable under the circumstances. Additionally, GAAP allows or requires many assets and liabilities to be accounted for at fair value, which is defined to be the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GAAP also requires that certain assets be assessed for impairment based on fair value. In cases where active markets do not exist, as discussed below, modeling or other techniques may be required to estimate fair value. Different estimates reasonably could have been used in the current period that would have had a material effect on these financial statements, and changes in these estimates are likely to occur from period to period in the future.

We have discussed the development and selection of these critical accounting policies and estimates with the Audit Committee of the Board of Directors, and the Audit Committee has reviewed our disclosures relating to them in this Management's Discussion and Analysis.

*Goodwill Impairment Testing.* Goodwill is deemed to have an indefinite life and is not amortized but is subject to an impairment test, at least annually. Goodwill represents the excess of the cost of an acquired entity over the net of the amounts assigned to assets acquired and liabilities assumed in business combinations. The value of goodwill is ultimately derived from an entity's ability to generate net earnings after the acquisition. A decline in net earnings could be indicative of a decline in the fair value of goodwill and result in impairment. For that reason, we test, at a reporting unit level, goodwill for impairment and have established October 31 as the annual impairment testing date. A reporting unit is an operating segment or one level below an operating segment for which discrete financial information is available and reviewed regularly by management. Our assets and liabilities are assigned to reporting units to the extent that they are employed in or are considered a liability related to the operations of the reporting units and are considered in determining the fair value of the reporting units. We presently have only one reporting unit. The goodwill impairment test is conducted by calculating the fair value of the reporting unit, which begins with management's expectations of cash flows in the next five years plus an expected residual value. A discount factor, approximating our weighted-average cost of capital (13% for 2008 and 9.5% for 2007), is then applied to the forecasted cash flows to determine the present value. The resulting fair value is compared to the carrying value of the reporting unit. As long as the present value is greater, there is no impairment to goodwill. In the annual assessment for 2008, there was no indicated impairment to goodwill.

While we believe all assumptions utilized in our assessment of goodwill for impairment are reasonable and appropriate, changes in actual earnings, the growth rate of future earnings, the effective tax rate (38% for 2008 and 2007) and our weighted-average cost of capital could all cause different results for the calculation of the present value of future cash flows. In management's estimation, most sensitive of these assumptions is cash flows from future earnings. Based on the 2008 assessment for impairment, a 20% decline in the amount of forecasted cash flows from future earnings would not result in an indicated goodwill impairment.

*Long-Lived Assets.* We review our long-lived assets for impairment whenever events and circumstances indicate assets might be impaired. Those events and circumstances include, but are not limited to, a significant change in the extent to which an asset is utilized (e.g., when a decision is made to dispose of an asset and certain other

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criteria are met), a significant decrease in the market price of an asset and a significant adverse change in the business climate that could affect the value of an asset, and operating or cash flow losses associated with the use of an asset. When such a review is conducted, we use an estimate of undiscounted cash flows, which are derived from our historical experience and long-term business plans, over the remaining lives of the assets to measure recoverability. If the estimated cash flows are less than the carrying value of an asset, the loss is measured as the amount by which the carrying value of the asset exceeds fair value.

*Valuation Allowances for Deferred Tax Assets.* Deferred tax assets and liabilities arise from temporary differences (i.e., amounts that are recognized as income or deducted as expenses at different times for GAAP and tax purposes). Deferred tax assets also arise from benefits recorded from NOLs (i.e., amounts representing losses for tax purposes that may be utilized in future years to offset taxable income). A net deferred tax asset must be reduced by a valuation allowance if, based on the weight of available evidence, it is more likely than not (a likelihood of more than 50%) that some portion or all of the deferred tax asset will not be realized. The valuation allowance must be sufficient to reduce the net deferred tax asset to the amount that is more likely than not to be realized. Changes in the valuation allowance are recorded as increases or decreases in income tax expense. Future realization of the tax benefit of an existing deductible temporary difference or carryforward ultimately depends on the existence of sufficient taxable income of the appropriate character (e.g., ordinary income or capital gain) within the carryback or carryforward period available under the tax law. There are four possible sources of taxable income that may be available under the tax law to realize a tax benefit for deductible temporary differences and carryforwards:

- Future reversals of existing taxable temporary differences;
- Future taxable income exclusive of reversing temporary differences and carryforwards;
- Taxable income in prior carryback year(s) if carryback is permitted under the tax law; and
- Tax-planning strategies that would, if necessary, be implemented to, for example:
  - i Accelerate taxable amounts to utilize expiring carryforwards; or
  - i Change the character of taxable or deductible amounts from ordinary income or loss to capital gain or loss.

Evidence available about each of those possible sources of taxable income will vary for different tax jurisdictions and, possibly, from year to year. To the extent evidence about one or more sources of taxable income is sufficient to support a conclusion that a valuation allowance is not necessary, other sources need not be considered. Consideration of each source is required, however, to determine the amount of the valuation allowance that is recognized for deferred tax assets. After consideration of the available evidence, a valuation allowance, if warranted, is established to reduce the deferred tax asset to the amount that is more likely than not to be realized.

In July 2006, the Financial Accounting Standards Board ( FASB ) issued Interpretation No. 48 ( FIN 48 ), *Accounting for Uncertainty in Income Taxes*, effective for fiscal years beginning after December 15, 2006. This interpretation clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with SFAS No. 109, *Accounting for Income Taxes*. FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 requires that, in order to be recognized, tax benefits must be more likely than not to be sustained upon examination by taxing authorities. The amount recognized is measured as the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement. In evaluating the ability to realize deferred tax assets, including NOLs, and any need for a valuation allowance, it is necessary to first consider the recognition threshold for uncertain tax positions and reduce the deferred tax assets by any required FIN 48 reserve.

As of December 31, 2008, we had aggregate federal NOLs of approximately \$454.3 million, which are available to reduce future taxable income, and the substantial majority expire between 2020 and 2024. In addition, we have significant state and local NOLs in various jurisdictions in which we and/or our subsidiaries file income tax returns. These state and local NOLs expire over various periods based on applicable state and local regulations.

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The federal, state and local NOLs are the single largest component of our net deferred tax asset. Additionally, since amortization of tax-deductible goodwill and trademarks ceased for GAAP purposes on January 1, 2002, we expect that deferred tax liabilities will arise each quarter because the taxable temporary differences related to the amortization of these assets are not expected to reverse prior to the expiration period of our deductible temporary differences unless the related assets are sold or an impairment of the assets is recorded. Consequently, we may record a valuation allowance in excess of our net deferred tax assets to the extent the difference between the book and tax basis of indefinite-lived intangible assets is not expected to reverse during the NOL period.

Based on the weight of objectively verifiable available positive and negative evidence, at December 31, 2008, we recorded a partial reversal of our valuation allowance against our net deferred tax asset of \$29.3 million because we believe it is more likely than not that this portion of the deferred tax asset will be realized. We will need to generate approximately \$84.0 million in pre-tax income for financial reporting purposes to realize this asset.

Elements of positive evidence included:

- remaining lives of the NOLs;
- historical income when results are normalized to remove the impact of discontinued operations and to reflect the completion of the Company's relocation from New York to Norcross; and
- forecasted income, utilizing the same forecast as for goodwill impairment testing in future periods.

Elements of negative evidence included:

- historical losses and
- uncertainty as to the timing and exact amount of future earnings as a result of current economic conditions, the U.S. residential real estate industry, as well as the uncertainty of the effectiveness of the steps we have taken, and will take, to mitigate the adverse impact on our businesses.

Our assessment in 2008 is different than it was in 2007, primarily due to the completion of the relocation of the Company from New York to Norcross, resulting in a significantly reduced cost structure, and almost a full year of operations of the Consumer Guides business supporting the entire PRIMEDIA cost structure, while maintaining profitability without the impact of divested entities.

*Stock-Based Compensation.* Effective January 1, 2006, we adopted the provisions of, and account for stock-based compensation in accordance with, SFAS No. 123(R). Under the fair value recognition provisions of SFAS No. 123(R), stock-based compensation cost is measured at the grant date based on the fair value of the award and is recognized as expense over the requisite service period, which is the vesting period.



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The most commonly granted form of stock-based compensation has been stock options. The fair value of stock options is determined using an option-pricing model that takes into account certain assumptions, including the exercise price, which is the stock price at the grant date, the expected life of the grant, the volatility of the underlying stock, the expected dividends on the stock and the risk-free interest rate over the expected life of the grant. The fair value of a stock option estimated at the grant date is not subsequently adjusted for changes in the price of the underlying stock or its volatility, the life of the grant, dividends on the stock or the risk-free interest rate. Generally, changes in the assumptions will have the following impact on the fair value of stock option awards:

<b>Assumption</b>	<b>Impact on Fair Value</b>
Exercise price:	
Increased price	Lower fair value
Decreased price	Higher fair value
Expected life of grant:	
Increased life	Higher fair value
Decreased life	Lower fair value
Volatility of underlying stock:	
Increased volatility	Higher fair value
Decreased volatility	Lower fair value
Expected dividends:	
Higher dividends	Lower fair value
Lower dividends	Higher fair value
Risk-free interest rate:	
Higher rate	Lower fair value
Lower rate	Higher fair value

*Allowance for Doubtful Accounts.* The allowance for doubtful accounts represents our estimate of losses in our accounts receivable resulting from our customers' failure to make required payments. We continually monitor collections from customers and the age of outstanding balances. Each of our business units provides for estimated credit losses based on historical analysis of the propensity of their customer base to make required payments. We aggressively pursue collection efforts on overdue accounts and, upon collection of any amounts previously written off, reverse the write-off. If future payments by our customers were to differ from our estimates, we may need to increase or decrease our allowance for doubtful accounts.

*Provision for Restructuring Costs.* Reserves for restructuring costs are estimated costs resulting from our plans and actions to integrate the Company and consolidate certain back office functions. Examples include employee-related termination costs and the cost of the termination of real estate leases, net of anticipated sublease income, if applicable, and the related write-off of leasehold improvements. If the future payments of these costs or amounts of sublease income were to differ from our estimates, we may need to increase or decrease our reserves.

*Divestiture Reserves.* Reserves for estimated obligations relating to divestitures may arise as a result of the sale of certain titles or business units. These reserves are established for such items that we remain liable for after the sale is completed and are recorded at the time of the divestiture as part of the gain or loss on the sale of the divested asset or business. Examples include stay bonuses for key personnel, severance, taxes and working capital adjustments. If the future payments for such items differ from its estimates, there could be a change in the determination of the gain or loss on sale.

**Table of Contents****Index to Financial Statements****Results of Operations****2008 Compared to 2007****Consolidated Results***Revenue, Net*

Revenue Component	For the Years Ended December 31,		\$ Change Favorable/ (Unfavorable) (Dollars in thousands)	% Change Favorable/ (Unfavorable)
	2008	2007		
Apartments	\$ 211,367	\$ 206,424	\$ 4,943	2.4%
New Homes	39,337	50,740	(11,403)	(22.5)
Total advertising revenue	250,704	257,164	(6,460)	(2.5)
Distribution	53,401	57,636	(4,235)	(7.3)
Total revenue, net	\$ 304,105	\$ 314,800	\$ (10,695)	(3.4)%

**Apartments**

Apartment Guide, ApartmentGuide.com and Rentals.com, representing approximately 84.3% of advertising revenue during the year ended December 31, 2008, increased 2.4% compared to the same period in 2007. The increase in revenue was primarily due to a 3.3% increase in Apartment Guide communities served, partially offset by a 0.7% decrease in revenue per community. The increase in apartment communities served and the decrease in revenue per community were both a result of special customer incentives and promotional offerings designed to attract additional apartment communities. Apartment Guide also benefited from the opening of the Greenville, South Carolina Apartment Guide in March 2008, which contributed approximately \$0.5 million in revenue in 2008.

Approximately 17% of the 2008 revenue from Apartment Guide was derived from markets that had high occupancy rates, which we consider to be 95% or higher. This compares to 28% in 2007. As of December 31, 2008, occupancy rates in Apartment Guide markets ranged from 85% to 97%, with an average of 93.0% in 2008, compared to 93.6% in 2007, and with the majority of markets experiencing occupancy levels between 90% and 95%. As occupancy rates increase beyond 95%, apartment communities tend to reduce their advertising spend because they require fewer prospective tenants. As occupancy rates fall below 90%, apartment communities tend to cut back on spending, including advertising. For these reasons, occupancy rates in excess of 95% or below 90% ordinarily result in a decrease in our advertising income.

**New Homes**

The New Homes businesses, representing approximately 15.7% of advertising revenue during the year ended December 31, 2008, decreased 22.5% compared to the same period in 2007. The decrease in revenue was primarily due to a 19.4% decrease in new home communities served and a 4.0% decrease in revenue per community served. These resulted from a decline in standard advertising spending of 19% and a decline in premium advertising spending of 32% by new home builders, driven by continued weakness in the new home sales sector.

The difficult conditions for new home builders caused pressure throughout 2008, as the challenging mortgage environment and declining home prices worsened. In response to this environment, we suspended publication of our Atlanta Professional Home Guide in January 2008 and our Charlotte Professional Home Guide in December 2008.

Table of ContentsIndex to Financial Statements**Distribution Revenue**

Distribution revenue, which relates to our distribution arm, DistribuTech, decreased by 7.3% during the year ended December 31, 2008 compared to the same period in 2007. There was a 0.9% increase in the number of pockets sold in our display racks; however, this growth was more than offset by an 8.2% decrease in the average revenue per pocket due to softness in demand. Our distribution revenue continues to be adversely impacted by the loss of business, particularly business from publishers within the resale home and automobile sales sectors scaling back or ceasing operations or providing an Internet-only product.

*Costs and Expenses*

Costs and Expenses	For the Years Ended December 31,		\$ Change (Favorable)/ Unfavorable	% Change (Favorable)/ Unfavorable
	2008	2007		
	(Dollars in thousands)			
Cost of goods sold (exclusive of depreciation and amortization of property and equipment)	\$ 32,420	\$ 34,655	\$ (2,235)	(6.4)%
Marketing and selling	75,722	81,064	(5,342)	(6.6)
Distribution and circulation	85,218	83,561	1,657	2.0
General and administrative expenses	48,700	57,747	(9,047)	(15.7)
Depreciation and amortization of property and equipment	14,475	12,612	1,863	14.8
Amortization of intangible assets	2,870	3,492	(622)	(17.8)
Provision for restructuring costs	5,238	10,496	(5,258)	(50.1)
Interest expense	19,338	77,660	(58,322)	(75.1)
Amortization of deferred financing costs	922	1,743	(821)	(47.1)
Other (income) loss, net	(2,821)	40,176	(42,997)	(107.0)
<b>Total cost and expenses</b>	<b>\$ 282,082</b>	<b>\$ 403,206</b>	<b>\$ (121,124)</b>	<b>(30.0)%</b>

The decrease in cost of goods sold was due to the reformatting of our printed guides, including reductions in both paper size and weight, as well as distribution optimization, partially offset by the increased cost of paper.

The decrease in marketing and selling expenses was primarily due to a reduction of approximately 60 employees compared to the prior year, resulting in a \$4.0 million reduction in expense. In addition, other marketing-related activities declined \$1.2 million.

General and administrative expenses declined, primarily due to decreases in corporate overhead of \$18.1 million, resulting from the completion of the relocation of our headquarters from New York to Norcross, audit and other professional fees of \$2.6 million, and recovery, under our primary directors and officers liability insurance, of approximately \$1.0 million of certain costs incurred prior to 2008 in connection with a derivative lawsuit that is described in Note 20, *Commitments and Contingencies*, to the consolidated financial statements. These declines were partially offset by increases in compensation-related expense for our former and new CEOs of approximately \$2.4 million, \$5.2 million in costs incurred in the movement of our headquarters, \$1.1 million in additional stock-based compensation expense, \$1.9 million in bad debt expense and \$1.9 million in additional legal expense, primarily to defend ourselves against the derivative lawsuit.

Depreciation and amortization of property and equipment increased primarily as a result of internal-use software being placed in service.

The provision for restructuring costs was lower due to a decrease of \$5.5 million in severance expense for positions that were eliminated. This was offset by an increase of \$0.2 million in lease-related expenses, consisting of an additional \$0.8 million for office closures offset by a \$0.6 million benefit in 2008 arising from revised estimates of future rent expense and sublease income from offices closed in 2007 and prior.

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Interest expense decreased primarily due to lower average debt levels, as during the third quarter of 2007, we repaid all \$492.5 million in principal of our term loan, redeemed all \$410.0 million in principal of our 8 <sup>7</sup>/<sub>8</sub>% Senior Notes due 2011, redeemed \$292.2 million in principal of our 8% Senior Notes due 2013 (the 8% Senior Notes ) and redeemed all \$122.5 million in principal of our Senior Floating Rate Notes due 2010. The decrease is also attributable to the redemption of the remaining \$2.6 million in 8% Senior Notes outstanding during 2008. The decrease in interest expense was partially offset by an increase in interest related to borrowings against our Revolving Facility. See the discussion under Liquidity, Capital and Other Resources.

Other (income) loss, net increased due to a loss on debt redemptions, during 2007, for the debt instruments mentioned above of \$44.3 million. The corresponding loss in 2008 was approximately \$0.1 million. The 2008 amount also reflects the reversal of a \$2.6 million annuity obligation to one of our former CEOs due to his death in 2008, which relieved us of any further obligation to him.

*Income Taxes*

During 2008, we recorded a benefit from income taxes related to continuing operations of \$27.0 million, compared to \$32.7 million in 2007, reflecting an effective rate of (122.6)% in 2008, compared to (37.0)% in 2007. The variance is primarily due to 2008 valuation allowance release of approximately \$29.3 million on deferred tax assets. See the discussion under Critical Accounting Policies and Estimates Valuation Allowance for Deferred Tax Assets.

**Discontinued Operations**

In accordance with SFAS No. 144, we have classified the operating results of our divested entities as discontinued operations in the consolidated statement of operations for all periods presented.

We completed the sales of Channel One and Films Media Group, parts of the Education segment, during the second quarter of 2007. On August 1, 2007, we completed the sale of our Enthusiast Media segment. During the first quarter of 2008, we sold certain assets and liabilities of PRIMEDIA Healthcare, resulting in a gain of \$0.1 million, and shut down the remaining operations, resulting in a loss of approximately \$0.4 million.

In the fourth quarter of 2007, we classified the results of operations of our Auto Guides division as discontinued operations due to our intent to dispose of the Auto Guides division. During 2008, we sold certain assets and liabilities related to our Auto Guides division, resulting in a gain of \$1.3 million, net of tax benefits, and shut-down the remaining operations, resulting in a loss of approximately \$0.8 million.

In 2005, we sold substantially all of the assets of Workplace Learning for the assumption of ongoing liabilities, while retaining a secondary liability as the assignor of the building and satellite time leases. Each month, our liability is reduced either by fulfilling our secondary liability as the assignor of the building lease or due to assignee's performance under the terms of the lease, which results in income for us. During the years ended December 31, 2008 and 2007, as a result of the assignee's performance, we recorded \$3.0 million and \$1.0 million in income, respectively, which is included in discontinued operations.

During the year ended December 31, 2008, we recorded a charge of \$4.5 million in discontinued operations related to settlement of the CK Media litigation and \$0.5 million related to the settlement of an unrelated case. Additionally, during the years ended December 31, 2008 and 2007, we recorded charges of \$1.0 million and \$2.0 million in discontinued operations, respectively, for various other litigation-related losses. See Note 20, Commitments and Contingencies, to the consolidated financial statements in this Report for more information.

During the year ended December 31, 2008, we recognized a tax benefit of \$16.3 million in discontinued operations, primarily as a result of our ability to carry back a projected 2008 NOL against taxes paid on a portion of the 2007 gain on divestitures of certain subsidiaries. The current year NOL arises primarily from the reversal of differences between the carrying value and tax basis in a group of PRIMEDIA Healthcare intangible assets

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triggered by the sale of those assets during 2008. We also recognized a tax benefit of \$4.2 million in discontinued operations during the year ended December 31, 2008, primarily as a result of changes in our estimate of our ability to utilize certain NOLs to offset 2007 taxable income.

Discontinued operations for the years ended December 31, 2008 and 2007 includes revenue of \$3.4 million and \$358.8 million, respectively, and a (loss) income before taxes of \$(9.2) million and \$50.9 million, respectively, which excludes gain on sale of businesses. The gain on sale of businesses, net of tax, was \$2.0 million and \$459.1 million for the years ended December 31, 2008 and 2007, respectively.

**2007 Compared to 2006****Consolidated Results***Revenue, Net*

Revenue Component	For the Years Ended December 31,		\$ Change Favorable/ (Unfavorable)	% Change Favorable/ (Unfavorable)
	2007	2006		
	(Dollars in thousands)			
Apartments	\$ 206,424	\$ 205,705	\$ 719	0.3%
New Homes	50,740	46,269	4,471	9.7
Total advertising revenue	257,164	251,974	5,190	2.1
Distribution	57,636			