FORM 8-K

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SOURCE INTERLINK COMPANIES INC

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

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

Date of Report (Date of earliest event reported): February 28, 2005

SOURCE INTERLINK COMPANIES, INC.
(Exact name of registrant as specified in this charter)

Delaware	001-13437	20-2428299
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

27500 Riverview Center Blvd., Suite 400, Bonita Springs, FL 34134
(Address of Principal Executive Offices and Zip Code)

Registrant's Telephone Number, including area code: (239) 949-4450

Not applicable
(Former Name or Former Address, if Changes Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

[ ] Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

[ ] Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

[ ] Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

[ ] Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

ITEM 1.01 - ENTRY INTO A MATERIAL DEFINITIVE AGREEMENT

REINCORPORATION MERGER AGREEMENT

On February 28, 2005, Source Interlink Companies, Inc., a Missouri

corporation ("SOURCE MISSOURI" and, prior to the consummation of the Reincorporation (as defined below), the "REGISTRANT") and Source Interlink Companies, Inc., a Delaware corporation and a wholly owned subsidiary of Source Missouri ("SOURCE DELAWARE" and, upon and following the consummation of the Reincorporation, the "REGISTRANT"), entered into an Agreement and Plan of Merger (the "REINCORPORATION MERGER AGREEMENT"). Under the terms of the Reincorporation Merger Agreement, Source Missouri merged with and into Source Delaware, with Source Delaware succeeding to all of the rights, properties, assets and liabilities of Source Missouri (the "REINCORPORATION").

In accordance with Missouri law and Source Missouri's articles of incorporation and bylaws, consummation of the Reincorporation was subject to the condition that the holders of two-thirds (2/3) of Source Missouri's issued and outstanding common stock approve the Reincorporation. The requisite shareholder approval was received, and the Reincorporation was consummated, on February 28, 2005. The Reincorporation did not result in any change in the Registrant's name, headquarters, business, jobs, management, location of offices or facilities, number of employees, assets, liabilities or net worth. The Registrant's common stock will continue to trade on the Nasdaq National Market under the symbol "SORC."

Pursuant to the Reincorporation Merger Agreement, the certificate of incorporation and bylaws of Source Delaware in effect immediately prior to the consummation of the Reincorporation became the certificate of incorporation and bylaws of the Registrant immediately following the consummation of the Reincorporation. Source Delaware's officers and directors immediately prior to the consummation of the Reincorporation became the officers and directors of the Registrant immediately following the consummation of the Reincorporation, until their successors are duly elected and qualified, or until their earlier death, resignation or removal. Each outstanding share of Source Missouri common stock, par value $0.01 per share, was automatically converted into one share of Source Delaware common stock, par value $0.01 per share. Each stock certificate representing issued and outstanding shares of Source Missouri's common stock will continue to represent the same number of shares of common stock of Source Delaware. It is not necessary for the Registrant's shareholders to exchange their existing stock certificates for stock certificates of Source Delaware.

A copy of the Reincorporation Merger Agreement is included as Exhibit 2.2 to this Current Report and is incorporated herein by reference. The foregoing summary of the terms of the Reincorporation Merger Agreement is qualified in its entirety by reference to such exhibit.

SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN

On February 28, 2005, the compensation committee of the board of directors of the Registrant (the "COMPENSATION COMMITTEE") approved the Source Interlink Companies, Inc. Supplemental Executive Retirement Plan, effective as of March 1, 2005 (the "SERP"). The SERP is a nonqualified defined benefit plan.

The SERP provides that certain members of the Registrant's management and other highly compensated employees (within the meaning of the Employment

Retirement Income Security Act of 1974, as amended) ("ELIGIBLE SERP PARTICIPANTS") are entitled to receive certain retirement benefits from the Registrant pursuant to an executive participation agreement entered into in connection with the SERP. Under the SERP, an Eligible SERP Participant who terminates employment with the Registrant and retires will be eligible to receive retirement benefits as follows:

(1) Upon the Termination for Cause (as defined in the SERP) of the Eligible SERP Participant by the Registrant, the participant will not be entitled to receive any retirement benefits;

(2) If the Eligible SERP Participant resigns from the Registrant, the participant will be entitled to receive a retirement benefit commencing at the age of 65; provided, that the participant has served with the Registrant for a period of more than five years from the effective date of the executive participation agreement and is at least 55 years old at the time of resignation;

(3) If the Registrant terminates the employment of the Eligible SERP Participant for Disability (as defined in the SERP), the participant will be entitled to receive a retirement benefit commencing at the age of 65;

(4) If the Eligible SERP Participant terminates employment with the Registrant and retires at or after the age of 65, the participant will be entitled to receive a Normal Retirement Benefit (as defined in the SERP) commencing at the age of retirement;

(5) If the Eligible SERP Participant terminates employment with the Registrant and retires at or after the age of 55, but before the age of 65, the participant will be entitled to receive an Early Retirement Benefit (as defined in the SERP) commencing at the age of early retirement; and

(6) If the Registrant terminates the employment of the Eligible SERP Participant prior to the age of 55 without cause for reasons other than death or Disability (as defined in the SERP), the participant will be entitled to receive a retirement benefit commencing at the age of 65.

If the Eligible SERP Participant is entitled to receive retirement benefits from the Registrant, the amount of retirement benefits will be calculated in accordance with such participant's executive participation agreement. The Eligible SERP Participant's retirement benefits will be offset by retirement benefits payable under any defined benefit plans (as defined under the Employee Retirement Income Security Act of 1974, as amended) sponsored by the Registrant.

Benefits under the SERP are to be paid monthly for the Eligible SERP Participant's lifetime, but for not less than 60 months. If an Eligible SERP Participant dies before the end of such 60-month period, monthly payments will continue for the remainder of such 60-month period to the participant's surviving spouse or estate, as applicable. In the event of a Change of Control

(as defined in the SERP) while the SERP is in effect, there will be no acceleration of any benefits under the SERP or any other additional benefits.

A copy of the SERP is filed as Exhibit 10.55 to this Current Report and is incorporated herein by reference. The foregoing summary of the terms of the SERP is qualified in its entirety by reference to such exhibit.

EXECUTIVE PARTICIPATION AGREEMENTS

Form of Executive Participation Agreement

On March 1, 2005, in connection with participation in the SERP, the Registrant entered into executive participation agreements with certain Eligible SERP Participants. Pursuant to the executive participation agreements, upon an Eligible SERP Participant's retirement at the age of 65, the Registrant will pay to the Eligible SERP Participant a monthly Normal Retirement Benefit of: (i) 25% of the average of the three highest annual base salaries during the five year period preceding the retirement of the Eligible SERP Participant (the "SERP BASE AMOUNT") after five years of service with the Registrant; (ii) 50% of the SERP Base Amount after ten years of service with the Registrant; or (iii) 75% of the SERP Base Amount after 15 years of service with the Registrant. The maximum payout to an Eligible SERP Participant under the executive participation agreement is 75% of the SERP Base Amount. If an Eligible SERP Participant elects to delay receipt of retirement benefit payments until after the age of 65, the Registrant will pay the Eligible SERP Participant a monthly retirement benefit for his or her lifetime calculated on a present value basis as actuarially discounted at 6.25% or the then current One Year Treasury Rate, whichever is higher.

At any time after an Eligible SERP Participant reaches age 55 and has been eligible to participate for a minimum of five full years, the Eligible SERP Participant may retire or resign and choose to either (i) delay payments until age 65, at which time the Eligible SERP Participant would receive the full current benefit amount at the time of resignation as calculated payable for the remainder of his or her life from age 65 or (ii) begin receiving Early Retirement Benefits immediately at the time of retirement, which amounts would be actuarially discounted on a present value basis as actuarially discounted at 6.25% or the then current One Year Treasury Rate, whichever is higher.

Upon Termination for Cause (as defined in the SERP), no benefit is payable to the Eligible SERP Participant. Upon termination for other than cause, death or Disability (as defined in the SERP), the Registrant will pay to the Eligible SERP

Participant, commencing at age 65, the Normal Retirement Benefit described above but with the following adjustments: (i) 5% of the SERP Base Amount payable at age 65 after one year of service; (ii) 10% of the SERP Base Amount payable at

age 65 after two years of service; (iii)15% of the SERP Base Amount payable at age 65 after three years of service; or (iv) 20% of the SERP Base Amount payable at age 65 after four years of service.

A copy of the form of executive participation agreement is filed as Exhibit 10.58 tothis Current Report and is incorporated herein by reference. The foregoing summary of the terms of the form of executive participation agreement is qualified in its entirety by reference to such exhibit.

Executive Participation Agreement with James R. Gillis

On March 1, 2005, the Registrant entered into an executive participation agreement with James R. Gillis in connection with his participation in the SERP. The terms of Mr. Gillis' executive participation agreement are substantially similar to the terms of the form of executive participation agreement described above, except that the schedule of Normal Retirement Benefit payments is altered in light of Mr. Gillis' age relative to other younger Eligible SERP Participants. Pursuant to Mr. Gillis' executive participation agreement, Mr. Gillis is entitled to receive his full benefit paid, without discount, immediately upon his retirement based on the following schedule of payments: (i) 25% of the SERP Base Amount payable immediately after five years of service with the Registrant; (ii) 30% of the SERP Base Amount payable immediately after six years of service with the Registrant; (iii) 35% of the SERP Base Amount payable immediately after seven years of service with the Registrant; (iv) 40% of the SERP Base Amount payable immediately after eight years of service with the Registrant; (v) 45% of the SERP Base Amount payable immediately after nine years of service with the Registrant; (vi) 50% of the SERP Base Amount payable immediately after ten years of service with the Registrant; (vii) 55% of the SERP Base Amount payable immediately after 11 years of service with the Registrant; (viii) 60% of the SERP Base Amount payable immediately after 12 years of service with the Registrant; (ix) 65% of the SERP Base Amount payable immediately after 13 years of service with the Registrant; (x) 70% of the SERP Base Amount payable immediately after 14 years of service with the Registrant; or (xi) 75% of the SERP Base Amount payable immediately after 15 years of service with the Registrant. The maximum payout to Mr. Gillis under his executive participation agreement is 75% of the SERP Base Amount.

A copy of Mr. Gillis' executive participation agreement is filed as Exhibit 10.57 to this Current Report and is incorporated herein by reference. The foregoing summary of the terms of Mr. Gillis' executive participation agreement is qualified in its entirety by reference to such exhibit.

CHALLENGE GRANT PROGRAM

On February 28, 2005, the Compensation Committee approved the Source Interlink Companies, Inc. Challenge Grant Program, effective as of March 1, 2005 (the "CHALLENGE GRANT"). The Challenge Grant provides that S. Leslie Flegel, the Registrant's chairman and chief executive officer, and any member of the Registrant's management and other highly compensated employees (within the meaning of the Employment Retirement Income Security Act of 1974, as amended) that Mr. Flegel and the Compensation Committee (when required under the

Challenge Grant) designate as eligible to participate in the Challenge Grant ("ELIGIBLE CHALLENGE GRANT PARTICIPANTS") are entitled to share an aggregate payout (the "AGGREGATE PAYOUT") tied to the attainment by the Registrant of certain specified consolidated net operating income targets over the period commencing March 1, 2005 and ending January 31, 2008 (the "CHALLENGE PERIOD").

Payment of the Aggregate Payout amounts will be made at the conclusion of the Challenge Period and will be allocated among Eligible Challenge Grant Participants in such amounts as determined by Mr. Flegel and the Compensation Committee (when required under the Challenge Grant); provided, that no more that 35% of the Aggregate Payout will be allocated to Mr. Flegel. The Compensation Committee reserves the right, but has no obligation, to adjust upward or downward the consolidated net operating income targets under the Challenge Grant if, during the Challenge Period, the Registrant completes the acquisition or disposition of a significant amount of assets otherwise than in the ordinary course of business. Any such adjustment during the Challenge Period will be reasonably related to any increase or decrease in the net operating income to the Registrant expected to result from the completion of such acquisition or disposition.

A copy of the Challenge Grant is filed as Exhibit 10.56 to this Current Report and is incorporated herein by reference. The foregoing summary of the terms of the Challenge Grant is qualified in its entirety by reference to such exhibit.

EMPLOYMENT AGREEMENT WITH S. LESLIE FLEGEL

On March 1, 2005, the Registrant entered into an executive employment agreement (the "LESLIE FLEGEL EMPLOYMENT AGREEMENT") with S. Leslie Flegel, its chairman and chief executive officer. Under the Leslie Flegel Employment Agreement, the Registrant will continue to employ Mr. Flegel in his current capacity as its chairman and chief executive officer for a term commencing March 1, 2005 and ending January 31, 2010. Mr. Flegel will have the usual and customary duties, responsibilities and authority of chairman and chief executive officer and will perform such other and additional duties and responsibilities as are consistent with that position and as the Registrant's board of directors may reasonably require.

The Registrant will pay Mr. Flegel (i) $750,000 in cash upon the execution and delivery of the Leslie Flegel Employment Agreement and (ii) a base salary of $915,000 per year during the period of Mr. Flegel's employment with the Registrant.

In addition, Mr. Flegel is entitled to receive a short term incentive payment following each fiscal year ended during his employment with the Registrant if and to the extent earned, but subject to the maximum amount specified, under the Short Term Incentive Program attached as Exhibit B to the Leslie Flegel Employment Agreement. The Short Term Incentive Program entitles

Mr. Flegel to earn a short term incentive payment amount in any given fiscal year, up to $1,800,000, which amount is tied to the attainment by the Registrant of certain net operating income performance goals expressed as a percentage of the Registrant's board-approved annual budget.

Mr. Flegel is also eligible to participate in the Registrant's Challenge Grant Program and to receive a disbursement of up to 35% of the aggregate payout contemplated thereby.

The Registrant will also permit Mr. Flegel to participate in any equity-based incentive, healthcare, retirement, life insurance, disability income and other benefits plans offered by the Registrant with respect to its executive officers generally.

Under the Leslie Flegel Employment Agreement, Mr. Flegel's employment with the Registrant is subject to early termination at any time (i) at the Registrant's election, by dismissal of Mr. Flegel from employment with or without Proper Cause (as defined in the Leslie Flegel Employment Agreement) pursuant to resolution of the Registrant's board of directors, (ii) at the Registrant's election, upon Mr. Flegel's disability as determined pursuant to the Leslie Flegel Employment Agreement, (iii) upon Mr. Flegel's death or (iv) at Mr. Flegel's election, with or without Good Reason (as defined in the Leslie Flegel Employment Agreement), by voluntary resignation upon 30 days' advance written notice.

In the event of Mr. Flegel's early termination by the Registrant without Proper Cause or by Mr. Flegel for Good Reason, and if Mr. Flegel agrees to specified restrictions on competitive activities, the Registrant will be obligated to pay to Mr. Flegel (or his estate) within five business days, an amount equal to the sum of: (a) his base salary (without further adjustment) through January 31, 2010; (b) all fixed retainer fees that would have been paid under the Leslie Flegel Consulting Agreement (as defined below); (c)an amount equal to the product of $900,000 times the number of fiscal years remaining to be concluded under the Leslie Flegel Employment Agreement; and (d) an amount, in full settlement of Mr. Flegel's interest in the Challenge Grant Program, equal to (i) $3.5 million, if such early termination occurs during the Registrant's fiscal year 2006, (ii) $4.375 million, if such early termination occurs during the Registrant's fiscal year 2007, and (iii) $5.25 million, if such early termination occurs during the Registrant's fiscal year 2008. The Registrant would also be obligated to continue to provide healthcare benefits to Mr. Flegel until the earlier of January 31, 2010 or his death.

In the event of Mr. Flegel's early termination by the Registrant with Proper Cause or by Mr. Flegel without Good Reason, the Registrant will be relieved of its obligations to pay or provide any compensation or benefits under the Leslie Flegel Employment Agreement, except for accrued and unpaid items.

In the event of Mr. Flegel's early termination due to disability (as determined pursuant to the Leslie Flegel Employment Agreement), the Registrant agrees to pay to Mr. Flegel (i) a disability income benefit in an amount equal to 33 1/3% of Mr. Flegel's base salary, payable monthly, commencing on the date

of early termination and ending on the earliest to occur of January 31, 2010, Mr. Flegel's death or the termination of 24 months following the date of early termination and (ii) a payment equal to the pro rata short term incentive payment due Mr. Flegel for the months he worked prior to his early

termination. The Registrant would also be obligated to continue to provide healthcare benefits to Mr. Flegel until the earliest of his death, January 31, 2010 or the expiration of 24 months, and to pay a death benefit to Mr. Flegel's estate of $2 million regardless of the date of Mr. Flegel's death. The Registrant will be entitled to credit, against its obligation to pay such disability income benefit, any amounts received from time to time by Mr. Flegel pursuant to any disability income insurance policy maintained by the Registrant.

In the event of Mr. Flegel's early termination due to his death, the Registrant will pay to Mr. Flegel's estate (i) a payment equal to the pro rata short term incentive payment due Mr. Flegel for the months he worked prior to his death and (ii) a death benefit of $2 million.

During his term of employment and during the Restricted Period (as defined in the Leslie Flegel Employment Agreement), Mr. Flegel is prohibited from, directly or indirectly, managing, operating, controlling, accepting employment or a consulting position with or otherwise advising or assisting or being connected with, or owning or having any financial interest in, any Competitive Enterprise (as defined in the Leslie Flegel Employment Agreement). These noncompetition provisions terminate if the Registrant terminates Mr. Flegel without Proper Cause or if Mr. Flegel terminates his employment for Good Reason.

The Leslie Flegel Employment Agreement further provides that, effective upon the expiration of the employment term, the Registrant and Mr. Flegel will enter into a consulting agreement substantially in the form attached as Exhibit A to the Leslie Flegel Employment Agreement (the "LESLIE FLEGEL CONSULTING AGREEMENT").

Under the Leslie Flegel Consulting Agreement, the Registrant is obligated to engage Mr. Flegel as a consultant for a period of five years commencing February 1, 2010 and ending January 31, 2015, subject to certain early termination rights. The Registrant will pay Mr. Flegel: (i) a fixed retainer fee of $415,000 per year and (ii) compensation as a non-employee director in accordance with then corporate policy. The parties agree to execute and deliver the Leslie Flegel Consulting Agreement on or about October 31, 2009 and cause it to become effective February 1, 2010, subject to early termination rights.

Under the Leslie Flegel Consulting Agreement, Mr. Flegel's engagement with the Registrant is subject to early termination at any time (i) at the Registrant's election, by dismissal of Mr. Flegel from engagement with or without Proper Cause (as defined in the Consulting Agreement) pursuant to resolution of the Registrant's board of directors, (ii) at the Registrant's

election, upon Mr. Flegel's disability as determined pursuant to the Leslie Flegel Consulting Agreement, (iii) upon Mr. Flegel's death or (iv) at Mr. Flegel's election, with or without Good Reason (as defined in the Leslie Flegel Consulting Agreement), by voluntary resignation upon 30 days' advance written notice.

In the event of Mr. Flegel's early termination by the Registrant without Proper Cause or by Mr. Flegel for Good Reason, the Registrant will remain obligated to pay to Mr. Flegel, in cash, an amount equal to the sum of (a) all fixed retainer fees for the remaining term under the Leslie Flegel Consulting Agreement and (b) all accrued and unpaid items.

In the event of Mr. Flegel's early termination by the Registrant with Proper Cause or by Mr. Flegel without Good Reason, the Registrant will be relieved of its obligations to pay or provide any compensation or benefits under the Consulting Agreement, except for accrued and unpaid items.

In the event of Mr. Flegel's early termination due to disability (as determined pursuant to the Leslie Flegel Employment Agreement) on or before January 31, 2015, the Registrant will be relieved of its obligations to pay or provide any compensation or benefits under the Leslie Flegel Consulting Agreement, except that the Registrant will pay Mr. Flegel or his Beneficiary (as defined in the Leslie Flegel Consulting Agreement) (a) a death benefit of $2 million not later than 90 days after Mr. Flegel's death without regard to the date of Mr. Flegel's death and (b) all accrued and unpaid items.

In the event of Mr. Flegel's early termination due to his death, the Registrant will be relieved of its obligations to pay or provide any compensation or benefits under the Leslie Flegel Consulting Agreement (except for accrued and unpaid items) but, in the case such death occurs on or before January 31, 2015, the Registrant will be obligated to pay to Mr. Flegel's Beneficiary a death benefit of $2 million not later than 90 days after Mr. Flegel's death.

During his term of engagement and during the Restricted Period (as defined in the Leslie Flegel Consulting Agreement), Mr. Flegel is prohibited from, directly or indirectly, managing, operating, controlling, accepting employment or a consulting position with or otherwise advising or assisting or being connected with, or owning or having any financial interest in, any Competitive Enterprise (as defined in the Leslie Flegel Consulting Agreement). These noncompetition provisions terminate if the Registrant terminates Mr. Flegel without Proper Cause or if Mr. Flegel terminates his engagement for Good Reason.

A copy of the Leslie Flegel Employment Agreement is filed as Exhibit 10.21 to this Current Report and is incorporated herein by reference. The foregoing summary of the terms of the Leslie Flegel Employment Agreement is qualified in its entirety by reference to such exhibit.

EMPLOYMENT AGREEMENT WITH JAMES R. GILLIS

On February 28, 2005, the Registrant entered into an executive employment agreement (the "GILLIS EMPLOYMENT AGREEMENT") with James R. Gillis, its president and chief operating officer. Under the Gillis Employment Agreement, the Registrant will continue to employ Mr. Gillis in his current capacity as its president and chief operating officer for a five-year term commencing February 28, 2005. Mr. Gillis will have the usual and customary duties, responsibilities and authority of president and chief operating officer and will perform such other and additional duties and responsibilities as are consistent with that position and as the Registrant's board of directors may reasonably require.

The Registrant will pay Mr. Gillis (a) $300,000 in cash upon the execution and delivery of the Gillis Employment Agreement and (b) a base salary of (i) $475,000 during fiscal year 2006, (ii) $525,000 during fiscal year 2007, (iii) $600,000 during fiscal year 2008, (iv) $624,000 during fiscal year 2008 and (v) $649,000 from the beginning of fiscal year 2009 through the expiration of the Gillis Employment Agreement.

In addition, Mr. Gillis is entitled to receive a guaranteed bonus each year during his employment with the Registrant in an amount equal to 50% of his base salary in effect in a given year (payable in equal quarterly installments), or such other amount as the Compensation Committee may approve in its sole discretion; except that in the first year no quarterly bonus payment will be less than $62,500. The Registrant will also permit Mr. Gillis to participate in any equity-based incentive, healthcare, retirement, life insurance, disability income and other benefits plans offered by the Registrant with respect to its executive officers generally.

Under the Gillis Employment Agreement, Mr. Gillis' employment with the Registrant is subject to early termination at any time (i) at the Registrant's election, by dismissal of Mr. Gillis from employment with or without Proper Cause (as defined in the Gillis Employment Agreement) pursuant to resolution of the Registrant's board of directors, (ii) at the Registrant's election, upon Mr. Gillis' disability as determined pursuant to the Gillis Employment Agreement, (iii) upon Mr. Gillis' death or (iv) at Mr. Gillis' election, with or without Good Reason (as defined in the Gillis Employment Agreement), by voluntary resignation upon 30 days' advance written notice.

In the event of Mr. Gillis' early termination by the Registrant without Proper Cause or by Mr. Gillis for Good Reason, the Registrant will remain obligated to pay to Mr. Gillis (or his estate) (a) his base salary (without further adjustment and payable in accordance with the Registrant's payroll policies) for the remaining term of the Gillis Employment Agreement and (b) the guaranteed bonus for each remaining year of the Gillis Employment Agreement. The Registrant would also be obligated to continue to provide healthcare benefits to Mr. Gillis under and subject to the same terms and provisions as are applicable to the Registrant's executive officers generally.

In the event of Mr. Gillis' early termination by the Registrant with

Proper Cause or by Mr. Gillis without Good Reason, the Registrant will be relieved of its obligations to pay or provide any compensation or benefits under the Gillis Employment Agreement, except for accrued and unpaid items.

In the event of Mr. Gillis' early termination due to disability (as determined pursuant to the Gillis Employment Agreement), the Registrant agrees to pay to Mr. Gillis (i) a disability income benefit in an amount equal to 50% of Mr. Gillis' base salary, payable monthly, commencing on the date of early termination and ending on the termination of 24 months following the date of early termination and (ii) a supplemental disability income benefit equal to $12,000 per month for the

period commencing on the date of early termination and ending on January 4, 2018 or Mr. Gillis' earlier death. The Registrant would also be obligated to continue to provide healthcare benefits to Mr. Gillis under and subject to the same terms and provisions as are applicable to the Registrant's executive officers generally. The Registrant will be entitled to credit, against its obligation to pay the foregoing disability income benefits, any amounts received from time to time by Mr. Gillis pursuant to any disability income insurance policy maintained by the Registrant or under the SERP.

In the event of Mr. Gillis' early termination due to his death, the Registrant will be relieved of its obligations to pay or provide any and all compensation and benefits under the Gillis Employment Agreement, except accrued and unpaid items.

During his term of employment and during the Restricted Period (as defined in the Gillis Employment Agreement), Mr. Gillis is prohibited from, directly or indirectly, managing, operating, controlling, accepting employment or a consulting position with or otherwise advising or assisting or being connected with, or owning or having any financial interest in, any Competitive Enterprise (as defined in the Gillis Employment Agreement).

A copy of the Gillis Employment Agreement is filed as Exhibit 10.6 to this Current Report and is incorporated herein by reference. The foregoing summary of the terms of the Gillis Employment Agreement is qualified in its entirety by reference to such exhibit.

EMPLOYMENT AGREEMENT WITH JASON S. FLEGEL

On February 28, 2005, the Registrant entered into an executive employment agreement (the "JASON FLEGEL EMPLOYMENT AGREEMENT") with Jason S. Flegel, its executive vice president. Under the Jason Flegel Employment Agreement, the Registrant will continue to employ Mr. Flegel in his current capacity as its executive vice president for a five-year term commencing February 28, 2005. Mr. Flegel will have the usual and customary duties, responsibilities and authority of an executive vice president and will perform such other and additional duties

and responsibilities as are consistent with that position and as the Registrant's board of directors may reasonably require.

The Registrant will pay Mr. Flegel (a) $125,000 in cash upon the execution and delivery of the Jason Flegel Employment Agreement and (b) a base salary of (i) $400,000 during fiscal year 2006, (ii) $450,000 during fiscal year 2007, (iii) $475,000 during fiscal year 2008, (iv) $500,000 during fiscal year 2008 and (v) $520,000 from the beginning of fiscal year 2009 through the expiration of the Jason Flegel Employment Agreement.

In addition, Mr. Flegel is entitled to receive an annual bonus in an amount, not to exceed 75% of Mr. Flegel's base salary in effect in a given year, to be determined by the Compensation Committee in its sole discretion. The Registrant will also permit Mr. Flegel to participate in any equity-based incentive, healthcare, retirement, life insurance, disability income and other benefits plans offered by the Registrant with respect to its executive officers generally.

Under the Jason Flegel Employment Agreement, Mr. Flegel's employment with the Registrant is subject to early termination at any time (i) at the Registrant's election, by dismissal of Mr. Flegel from employment with or without Proper Cause (as defined in the Jason Flegel Employment Agreement) pursuant to resolution of the Registrant's board of directors, (ii) at the Registrant's election, upon Mr. Flegel's disability as determined pursuant to the Jason Flegel Employment Agreement, (iii) upon Mr. Flegel's death or (iv) at Mr. Flegel's election, with or without Good Reason (as defined in the Jason Flegel Employment Agreement), by voluntary resignation upon 30 days' advance written notice.

In the event of Mr. Flegel's early termination by the Registrant without Proper Cause or by Mr. Flegel for Good Reason, the Registrant will remain obligated to pay to Mr. Flegel (or his estate) his base salary (without further adjustment and payable in accordance with the Registrant's payroll policies) for the remaining term of the Jason Flegel Employment Agreement. The Registrant would also be obligated to continue to provide healthcare benefits to Mr. Flegel under and subject to the same terms and provisions as are applicable to the Registrant's executive officers generally.

In the event of Mr. Flegel's early termination by the Registrant with Proper Cause or by Mr. Flegel without Good Reason, the Registrant will be relieved of its obligations to pay or provide any compensation or benefits under the Jason Flegel Employment Agreement, except for accrued and unpaid items.

In the event of Mr. Flegel's early termination due to disability (as determined pursuant to the Jason Flegel Employment Agreement), the Registrant agrees to pay to Mr. Flegel (i) a disability income benefit in an amount equal to 50% of Mr. Flegel's base salary, payable monthly, commencing on the date of

early termination and ending on the termination of 24 months following the date of early termination and (ii) a supplemental disability income benefit equal to $12,000 per month for the period commencing on the date of early termination and ending on September 30, 2030 or Mr. Flegel's earlier death. The Registrant would also be obligated to continue to provide healthcare benefits to Mr. Flegel under and subject to the same terms and provisions as are applicable to the Registrant's executive officers generally. The Registrant will be entitled to credit, against its obligation to pay the foregoing disability income benefits, any amounts received from time to time by Mr. Flegel pursuant to any disability income insurance policy maintained by the Registrant or under the SERP.

In the event of Mr. Flegel's early termination due to his death, the Registrant will be relieved of its obligations to pay or provide any and all compensation and benefits under the Jason Flegel Employment Agreement, except accrued and unpaid items.

During his term of employment and during the Restricted Period (as defined in the Jason Flegel Employment Agreement), Mr. Flegel is prohibited from, directly or indirectly, managing, operating, controlling, accepting employment or a consulting position with or otherwise advising or assisting or being connected with, or owning or having any financial interest in, any Competitive Enterprise (as defined in the Jason Flegel Employment Agreement).

A copy of the Jason Flegel Employment Agreement is filed as Exhibit 10.22 to this Current Report and is incorporated herein by reference. The foregoing summary of the terms of the Jason Flegel Employment Agreement is qualified in its entirety by reference to such exhibit.

EMPLOYMENT AGREEMENT WITH ALAN TUCHMAN

On February 28, 2005, the Registrant entered into an executive employment agreement (the "TUCHMAN EMPLOYMENT AGREEMENT") with Alan Tuchman, its executive vice president. Under the Tuchman Employment Agreement, the Registrant will employ Mr. Tuchman as its executive vice president for a five-year term commencing February 28, 2005. Mr. Tuchman will have the usual and customary duties, responsibilities and authority of an executive vice president and will perform such other and additional duties and responsibilities as are consistent with that position and as the Registrant's board of directors may reasonably require.

The Registrant will pay Mr. Tuchman a base salary of (i) $475,000 during fiscal year 2006, (ii) $500,000 during fiscal year 2007, (iii) $520,000 during fiscal year 2008, (iv) $540,800 during fiscal year 2008 and (v) $562,432 from the beginning of fiscal year 2009 through the expiration of the Tuchman Employment Agreement.

In addition, Mr. Tuchman is entitled to receive an annual bonus in an amount, not to exceed 75% of Mr. Tuchman's base salary in effect in a given year, to be determined by the Compensation Committee in its sole discretion. The Registrant will also permit Mr. Tuchman to participate in any equity-based incentive, healthcare, retirement, life insurance, disability income and other

benefits plans offered by the Registrant with respect to its executive officers generally.

Under the Tuchman Employment Agreement, Mr. Tuchman's employment with the Registrant is subject to early termination at any time (i) at the Registrant's election, by dismissal of Mr. Tuchman from employment with or without Proper Cause (as defined in the Tuchman Employment Agreement) pursuant to resolution of the Registrant's board of directors, (ii) at the Registrant's election, upon Mr. Tuchman's disability as determined pursuant to the Tuchman Employment Agreement, (iii) upon Mr. Tuchman's death or (iv) at Mr. Tuchman's election, with or without Good Reason (as defined in the Tuchman Employment Agreement), by voluntary resignation upon 30 days' advance written notice.

In the event of Mr. Tuchman's early termination by the Registrant without Proper Cause or by Mr. Tuchman for Good Reason, the Registrant will remain obligated to pay to Mr. Tuchman (or his estate) his base salary (without further adjustment and payable in accordance with the Registrant's payroll policies) for the remaining term of the Tuchman

Employment Agreement. The Registrant would also be obligated to continue to provide healthcare benefits to Mr. Tuchman under and subject to the same terms and provisions as are applicable to the Registrant's executive officers generally.

In the event of Mr. Tuchman's early termination by the Registrant with Proper Cause or by Mr. Tuchman without Good Reason, the Registrant will be relieved of its obligations to pay or provide any compensation or benefits under the Tuchman Employment Agreement, except for accrued and unpaid items.

In the event of Mr. Tuchman's early termination due to disability (as determined pursuant to the Tuchman Employment Agreement), the Registrant agrees to pay to Mr. Tuchman (i) a disability income benefit in an amount equal to 50% of Mr. Tuchman's base salary, payable monthly, commencing on the date of early termination and ending on the termination of 24 months following the date of early termination and (ii) a supplemental disability income benefit equal to $12,000 per month for the period commencing on the date of early termination and ending on March 24, 2024 or Mr. Tuchman's earlier death. The Registrant would also be obligated to continue to provide healthcare benefits to Mr. Tuchman under and subject to the same terms and provisions as are applicable to the Registrant's executive officers generally. The Registrant will be entitled to credit, against its obligation to pay the foregoing disability income benefits, any amounts received from time to time by Mr. Tuchman pursuant to any disability income insurance policy maintained by the Registrant or under the SERP (if Mr. Tuchman is a participant therein).

In the event of Mr. Tuchman's early termination due to his death, the Registrant will be relieved of its obligations to pay or provide any and all

compensation and benefits under the Tuchman Employment Agreement, except accrued and unpaid items.

During his term of employment and during the Restricted Period (as defined in the Tuchman Employment Agreement), Mr. Tuchman is prohibited from, directly or indirectly, managing, operating, controlling, accepting employment or a consulting position with or otherwise advising or assisting or being connected with, or owning or having any financial interest in, any Competitive Enterprise (as defined in the Tuchman Employment Agreement).

A copy of the Tuchman Employment Agreement is filed as Exhibit 10.49 to this Current Report and is incorporated herein by reference. The foregoing summary of the terms of the Tuchman Employment Agreement is qualified in its entirety by reference to such exhibit.

EMPLOYMENT AGREEMENT WITH MARC FIERMAN

On February 28, 2005, the Registrant entered into an executive employment agreement (the "FIERMAN EMPLOYMENT AGREEMENT") with Marc Fierman, its executive vice president and chief financial officer. Under the Fierman Employment Agreement, the Registrant will continue to employ Mr. Fierman in his current capacity as its executive vice president and chief financial officer for a five-year term commencing February 28, 2005. Mr. Fierman will have the usual and customary duties, responsibilities and authority of executive vice president and chief financial officer and will perform such other and additional duties and responsibilities as are consistent with that position and as the Registrant's board of directors may reasonably require.

The Registrant will pay Mr. Fierman (a) $135,000 in cash upon the execution and delivery of the Fierman Employment Agreement and (b) a base salary of (i) $325,000 during fiscal year 2006, (ii) $350,000 during fiscal year 2007, (iii) $375,000 during fiscal year 2008, (iv) $400,000 during fiscal year 2008 and (v) $425,000 from the beginning of fiscal year 2009 through the expiration of the Fierman Employment Agreement.

In addition, Mr. Fierman is entitled to receive an annual bonus in an amount, not to exceed 50% of Mr. Fierman's base salary in effect in a given year, to be determined by the Compensation Committee in its sole discretion. The Registrant will also permit Mr. Fierman to participate in any equity-based incentive, healthcare, retirement, life insurance, disability income and other benefits plans offered by the Registrant with respect to its executive officers generally.

Under the Fierman Employment Agreement, Mr. Fierman's employment with the Registrant is subject to early

termination at any time (i) at the Registrant's election, by dismissal of Mr.

Fierman from employment with or without Proper Cause (as defined in the Fierman Employment Agreement) pursuant to resolution of the Registrant's board of directors, (ii) at the Registrant's election, upon Mr. Fierman's disability as determined pursuant to the Fierman Employment Agreement, (iii) upon Mr. Fierman's death or (iv) at Mr. Fierman's election, with or without Good Reason (as defined in the Fierman Employment Agreement), by voluntary resignation upon 30 days' advance written notice.

In the event of Mr. Fierman's early termination by the Registrant without Proper Cause or by Mr. Fierman for Good Reason, the Registrant will remain obligated to pay to Mr. Fierman (or his estate) his base salary (without further adjustment and payable in accordance with the Registrant's payroll policies) for the remaining term of the Fierman Employment Agreement. The Registrant would also be obligated to continue to provide healthcare benefits to Mr. Fierman under and subject to the same terms and provisions as are applicable to the Registrant's executive officers generally.

In the event of Mr. Fierman's early termination by the Registrant with Proper Cause or by Mr. Fierman without Good Reason, the Registrant will be relieved of its obligations to pay or provide any compensation or benefits under the Fierman Employment Agreement, except for accrued and unpaid items.

In the event of Mr. Fierman's early termination due to disability (as determined pursuant to the Fierman Employment Agreement), the Registrant agrees to pay to Mr. Fierman (i) a disability income benefit in an amount equal to 50% of Mr. Fierman's base salary, payable monthly, commencing on the date of early termination and ending on the termination of 24 months following the date of early termination and (ii) a supplemental disability income benefit equal to $12,000 per month for the period commencing on the date of early termination and ending on November 22, 2025 or Mr. Flegel's earlier death. The Registrant would also be obligated to continue to provide healthcare benefits to Mr. Fierman under and subject to the same terms and provisions as are applicable to the Registrant's executive officers generally. The Registrant will be entitled to credit, against its obligation to pay the foregoing disability income benefits, any amounts received from time to time by Mr. Fierman pursuant to any disability income insurance policy maintained by the Registrant or under the SERP.

In the event of Mr. Fierman's early termination due to his death, the Registrant will be relieved of its obligations to pay or provide any and all compensation and benefits under the Fierman Employment Agreement, except accrued and unpaid items.

During his term of employment and during the Restricted Period (as defined in the Fierman Employment Agreement), Mr. Fierman is prohibited from, directly or indirectly, managing, operating, controlling, accepting employment or a consulting position with or otherwise advising or assisting or being connected with, or owning or having any financial interest in, any Competitive Enterprise (as defined in the Fierman Employment Agreement).

A copy of the Fierman Employment Agreement is filed as Exhibit 10.41 to this Current Report and is incorporated herein by reference. The foregoing

summary of the terms of the Fierman Employment Agreement is qualified in its entirety by reference to such exhibit.

SPLIT-DOLLAR INSURANCE AGREEMENTS WITH EXECUTIVE OFFICERS

On March 1, 2005, the Registrant entered into split-dollar insurance agreements with certain members of management and other key executive personnel of the Registrant. Each employee entering into a split-dollar insurance agreement will be issued a life insurance policy and will have the right to designate the beneficiary of a portion of the policy's death benefit in an amount equal to three times the employee's annual base salary. The entire premium on the policy will be paid by the Registrant and the employee will not have the option to purchase the policy. Each split-dollar insurance agreement may be terminated by the Registrant, with or without the consent of the employee, upon written notice to the employee. An employee's split-dollar insurance agreement will terminate automatically upon termination of such employee's employment with the Registrant for any reason other than such employee's death. The form of split-dollar insurance agreement is filed as Exhibit 10.59 to this Current Report and is incorporated herein by reference. The foregoing summary of the terms of the form of split-dollar insurance agreement is qualified in its entirety by reference to such exhibit.

STOCKHOLDER'S AGREEMENT WITH AEC ASSOCIATES LLC

In connection with the Agreement and Plan of Merger (the "MERGER AGREEMENT") dated November 18, 2004, among the Registrant, Alliance Entertainment Corp. ("ALLIANCE") and Alligator Acquisition, LLC ("MERGER SUB"), the Registrant and Alliance's majority stockholder, AEC Associates LLC ("AEC ASSOCIATES"), entered into a stockholder's agreement (the "STOCKHOLDER'S AGREEMENT") on February 28, 2005, upon the consummation of the merger of Alliance with and into Merger Sub (the "MERGER"). As a result of the Merger, which was consummated on February 28, 2005, AEC Associates owns approximately 34.9% of the outstanding shares of the Registrant's common stock.

Pursuant to the Stockholder's Agreement and subject to certain conditions specified therein, the Registrant and AEC Associates agreed that, upon consummation of the Merger, the Registrant's board of directors will be comprised of 11 members, including six members designated by the Registrant and five members designated by Alliance. Six of the directors will be "independent" under the rules of the Securities and Exchange Commission ("SEC") and the Nasdaq Stock Market, Inc. ("NASDAQ") with respect to the Registrant. Until such time as AEC Associates (together with its members and affiliates acting as a group) no longer owns an aggregate of at least 10% of the Registrant's outstanding common stock, AEC Associates has the right to designate an individual (or individuals) of its choice for election by the Registrant's board for any seat that is last occupied or vacated by a director designated by Alliance or AEC Associates, except if such designation would result in the

director designated by AEC Associates having a disproportionate board representation to AEC Associates' (together with its members and affiliates) ownership of the Registrant's common stock. The Registrant and AEC Associates agree that AEC Associates will designate three individuals for election at the Registrant's 2005 annual meeting. The Registrant will not place any other nominees on the ballot for the 2005 annual meeting for election as a director unless required by law. Furthermore, as soon as reasonably practicable after the consummation of the Merger, the Registrant will cause each standing committee of its board to include at least one director designated by Alliance and be comprised of a majority of directors designated by the Registrant. Each Alliance-designated director that is "independent" or fulfills an SEC or Nasdaq requirement that is unable to fulfill his or her term will be replaced by a director of similar credentials to satisfy the requirement.

Pursuant to the Stockholder's Agreement, the Registrant agreed to amend its bylaws upon consummation of the Merger to provide, among other things, that the board will consist of between three and 11 members, a change of control of the Registrant will be approved by supermajority of at least 75% of the members of the Registrant's board, and for as long as AEC Associates (together with its members and affiliates acting as a group) owns an aggregate of at least 10% of the Registrant's outstanding common stock, if an Alliance or Source Interlink director is unable to fulfill his or her term in office, the remaining Alliance or Source Interlink directors, as the case may be, will have the exclusive right to designate an individual to fill the vacancy.

Through the Registrant's 2007 annual meeting of shareholders, AEC Associates agrees to vote for all board nominees, be present at all meetings, in person or by proxy and not, without supermajority board approval, take any action, directly or indirectly, intended to remove or that will result in removing any director from the board.

Shares of the Registrant's common stock held by AEC Associates will initially be locked up following the consummation of the Merger, after which time such shares will be released from the lock-up as follows: (i) one-third of its shares will be released three months following the consummation of the Merger, (ii) an additional one-third of its shares will be released six months following the consummation of the Merger and (iii) the remaining one-third of its shares will be released nine months following the consummation of the Merger. After the initial lock-up period expires, AEC Associates is entitled to three demand registrations (only as to shares that are then free from the lock-up), which must be in firmly committed, underwritten public offerings. AEC Associates is entitled to unlimited piggyback registration rights, which are subject to underwriter cutbacks. AEC Associates also agreed to certain disposition restrictions, market standoff limitations and noncompetition covenants under the Stockholder's Agreement.

A copy of the Stockholder's Agreement is filed as Exhibit 4.4 to this Current Report and is incorporated herein by reference. The foregoing summary of the terms of the Stockholder's Agreement is qualified in its entirety by reference to such exhibit.

CONSULTING AGREEMENT WITH THE YUCAIPA COMPANIES, LLC

On February 28, 2005, in connection with the Merger Agreement, the Registrant and The Yucaipa Companies, LLC, an entity affiliated with AEC Associates ("YUCAIPA"), entered into a consulting agreement (the "YUCAIPA CONSULTING AGREEMENT"). Pursuant to the Yucaipa Consulting Agreement and subject to certain conditions specified therein, Yucaipa agreed to provide the Registrant, upon request, with consulting and financial services for an annual fee of $1 million, plus out-of-pocket expenses. The term of the Yucaipa Consulting Agreement is for a period of five years. Either party may terminate the Yucaipa Consulting Agreement at any time; however, if the Registrant terminates the Consulting Agreement then it will pay Yucaipa a cash termination payment equal to the remaining unpaid portion of the fees owed for the term in which the termination occurs plus $1 million. Yucaipa agrees, during the term of the Yucaipa Consulting Agreement and for one year thereafter, not to solicit any employees or consultants of the Registrant or Alliance.

A copy of the Yucaipa Consulting Agreement is filed as Exhibit 10.60 to this Current Report and is incorporated herein by reference. The foregoing summary of the terms of the Yucaipa Consulting Agreement is qualified in its entirety by reference to such exhibit.

AMENDED AND RESTATED LOAN AGREEMENT WITH WELLS FARGO FOOTHILL

On February 28, 2005, the Registrant entered into an amended and restated secured financing arrangement with Wells Fargo Foothill, Inc. ("WFF"), as arranger and administrative agent (the "WORKING CAPITAL LOAN AGENT") for each of the lenders that may become a participant in such arrangement, and their successors and assigns (the "WORKING CAPITAL LENDERS") pursuant to which the Working Capital Lenders will make revolving loans ("WORKING CAPITAL LOANS") to the Registrant and its subsidiaries of up to $200 million ("ADVANCES") and provide for the issuance of letters of credit. The terms and conditions of the arrangement are governed primarily by the Amended and Restated Loan Agreement dated February 28, 2005 by and among the Registrant, its subsidiaries, and WFF (the "AMENDED AND RESTATED LOAN AGREEMENT"). The proceeds of the Working Capital Loans will be used to (i) finance transaction expenses incurred in connection with the Merger and the Reincorporation (including, without limitation, payment for fractional shares and payments to dissenting shareholders), (ii) repay certain existing indebtedness of Alliance and its subsidiaries, (iii) repay certain existing indebtedness of the Registrant to WFF under the Registrant's previous credit facility (including, without limitation, a $10 million term loan) and (iv) for working capital and general corporate purposes, including the financing of acquisitions. Outstanding Advances bear interest at a variable annual rate equal to the prime rate announced by Wells Fargo Bank, National Association's San Francisco office, plus a margin of between 0% and 1.00% based upon a ratio of the Registrant's EBITDA to interest expense ("INTEREST COVERAGE

RATIO"). The Registrant also has the option of selecting up to five traunches of at least $1 million each to bear interest at LIBOR plus a margin of between 2.00% and 3.00% based upon the Registrant's Interest Coverage Ratio. To secure repayment of the Working Capital Loans and other obligations of the Registrant to the Working Capital Lenders, the Registrant and its subsidiaries granted a security interest in all of their personal property assets to the Working Capital Loan Agent, for the benefit of the Working Capital Lenders. The Working Capital Loans mature on October 31, 2010.

The commitment of the Working Capital Lenders to make Advances is subject to the existence of sufficient eligible assets to support such Advances under a specified borrowing base formula and compliance with, among other things, certain financial covenants. Under the Amended and Restated Loan Agreement, the Registrant is required to maintain a specified minimum level of EBITDA and compliance with specified fixed charge coverage and debt to EBITDA ratios. In addition, the Registrant is prohibited, without consent from the Working Capital Lenders, from: (i) incurring or suffering to exist additional indebtedness or liens on the Registrant's personal property assets; (ii) engaging in any merger, consolidation, acquisition or disposition of assets or other fundamental corporate change; (iii) permitting a change of control of the Registrant; (iv) paying any dividends or making any other distribution on capital stock or other payments in connection with the purchase, redemption, retirement or acquisition of capital stock; (v) changing the Registrant's fiscal year or methods of accounting; and (vi) making capital expenditures in excess of $19.3 million during any fiscal year.

The Registrant's borrowing base is calculated in part on the amount of eligible VHS, CD, DVD, video game and related inventory. Such inventory is encumbered by liens in favor of certain of the Registrant's vendors, which liens must be subordinated to the prior lien of the Working Capital Loan Agent. Failure to obtain such subordination within 30 days after closing will result in such inventory being ineligible under the borrowing base. Failure to obtain such subordination within 60 days after closing will result in an event of default under the Amended and Restated Loan Agreement. Additional events of default under the Amended and Restated Loan Agreement include, among others, (i) failure of the Registrant to pay its

obligations to the Working Capital Lenders or to otherwise observe its covenants under the Amended and Restated Loan Agreement and other loan documents, (ii) the Registrant or any of its subsidiaries becomes insolvent or bankrupt or has any material portion of its assets seized or encumbered, and (iii) a material breach or default under any of the Registrant's material contracts, including contracts for indebtedness.

A copy of the Amended and Restated Loan Agreement is filed as Exhibit 10.44 to this Current Report and is incorporated herein by reference. The foregoing summary of the terms of the Amended and Restated Loan Agreement is

qualified in its entirety by reference to such exhibit.

ITEM 2.01 - COMPLETION OF ACQUISITION OR DISPOSITION OF ASSETS

COMPLETION OF MERGER WITH ALLIANCE

On February 28, 2005, the Registrant consummated the Merger with Alliance pursuant to the terms and conditions of the Merger Agreement. The Merger Agreement is described in the Registrant's Current Report on Form 8-K filed November 24, 2004 and such description is incorporated herein by reference.

Amendments to the articles of incorporation of the Registrant and a proposal to approve the issuance of shares of the Registrant's common stock (and any shares issuable upon the exercise of outstanding options, warrants and other rights to acquire the Registrant's common stock) were adopted and approved at a special meeting of the shareholders of the Registrant on February 28, 2005.

The Registrant's shareholders will not receive consideration directly from the Merger. Each share of the Registrant's common stock and each option, warrant and other right to acquire the Registrant's common stock will remain outstanding.

Alliance common stockholders will receive for each share of Alliance common stock they hold 0.2582 shares of the Registrant's common stock (the "EXCHANGE RATIO"). In lieu of receiving fractional shares of the Registrant's common stock, Alliance stockholders will receive cash in an amount equal to such fraction multiplied by the average of the closing prices reported on the Nasdaq National Market for the Registrant's common stock for the ten trading days immediately preceding the effective date of the Merger. Each option, warrant or other right to acquire Alliance capital stock outstanding immediately prior to the Merger will automatically become an option, warrant or other right to acquire shares of the Registrant's common stock. The number of shares of the Registrant's common stock that may be acquired under such option, warrant or other right will be equal to the product of the number of Alliance shares that were directly or indirectly issuable upon the exercise of such option, warrant or other right to acquire Alliance capital stock before the Merger multiplied by the Exchange Ratio. The exercise price per share for such option, warrant or other right to acquire the Registrant's common stock will be the pre-Merger exercise price per share for such option, warrant or other right to acquire Alliance capital stock divided by the Exchange Ratio.

The foregoing summary is qualified in its entirety by reference to the text of the Merger Agreement, which is incorporated herein by reference to Exhibit 2.1 to the Registrant's Current Report on Form 8-K filed on November 24, 2004.

COMPLETION OF REINCORPORATION INTO DELAWARE

On February 28, 2005, the Registrant consummated the Reincorporation into the State of Delaware through a merger of Source Missouri with and into Source Delaware, pursuant to the terms of the Reincorporation Merger Agreement (as

described in Item 1.01 above). The Reincorporation was adopted and approved by consent of Source Delaware's sole stockholder, Source Missouri, and a proposal to approve the Reincorporation was approved at a special meeting of the shareholders of Source Missouri by the holders of at least two-thirds (2/3) of the issued and outstanding shares of Source Missouri's common stock.

Each outstanding share of Source Missouri's common stock was automatically converted into one share of common stock of Source Delaware. Each stock certificate representing issued and outstanding shares of Source Missouri's common stock will continue to represent the same number of shares of common stock of Source Delaware. It is not necessary for Source Missouri's shareholders to exchange their existing stock certificates for stock certificates of Source Delaware.

The foregoing summary is qualified in its entirety by reference to the text of the Reincorporation Merger Agreement, which is incorporated herein by reference to Exhibit 2.2 to this Current Report.

ITEM 2.03 - CREATION OF A DIRECT FINANCIAL OBLIGATION OR AN OBLIGATION UNDER AN OFF-BALANCE SHEET ARRANGEMENT OF A REGISTRANT

The information provided in Item 1.01 above relating to the Amended and Restated Loan Agreement is incorporated herein by reference.

ITEM 3.03 - MATERIAL MODIFICATION TO RIGHTS OF SECURITY HOLDERS

In connection with the Reincorporation, the rights of the Registrant's stockholders, which prior to the Reincorporation were governed by Missouri law and by the articles of incorporation and bylaws of Source Missouri, are now governed by Delaware law and by the certificate of incorporation and bylaws of Source Delaware. Certain differences in the rights of stockholders arise from distinctions between Missouri law and Delaware law, as well as from differences between the charter instruments of Source Missouri and Source Delaware. These differences are described in the section entitled "Comparison of Stockholder Rights and Corporate Governance Matters" on pages 149-165 of the Registrant's Registration Statement on Form S-4/A filed on January 18, 2005, which section is incorporated herein by reference.

ITEM 5.02 - DEPARTURE OF DIRECTORS OR PRINCIPAL OFFICERS; ELECTION OF DIRECTORS; APPOINTMENT OF PRINCIPAL OFFICERS

RESIGNATION OF CERTAIN DIRECTORS

On February 28, 2005, as contemplated by the Merger Agreement and effective immediately prior to the consummation of the Merger, each of Harry L. Franc, III, Randall S. Minix and Kenneth F. Teasdale resigned his position as director of the Registrant. Prior to their resignations, (i) Mr. Franc served on

the nominating and corporate governance committee and chaired the capital markets committee of the Registrant's board of directors, (ii) Mr. Minix served on the audit committee of the Registrant's board of directors and (iii) Mr. Teasdale served on the nominating and corporate governance committee and the compensation committee of the Registrant's board of directors. There were no disagreements with any of Messrs. Franc, Minix or Teasdale.

APPOINTMENT OF CERTAIN DIRECTORS

On February 28, 2005, as contemplated by the Merger Agreement and effective immediately following the Merger, the board of directors of Source Delaware voted to expand the board to 11 members. S. Leslie Flegel, James R. Gillis, A. Clinton Allen, Ariel Emanuel, Aron S. Katzman and Allan R. Lyons, each of whom served as a director of the Registrant immediately prior to the Merger, remained directors of the Registrant immediately following the Merger and the Reincorporation. As required by the terms of the Merger Agreement, Alliance designated five individuals to serve as its nominees on the Registrant's board of directors until their successors have been duly appointed or elected and seated, or until otherwise removed. These individuals are:

- Governor Gray Davis (Ret.), Of Counsel to Loeb & Loeb, Los Angeles
- Michael R. Duckworth, Partner for The Yucaipa Companies, LLC
- David R. Jessick, Consultant to Rite Aid Corporation
- Gregory Mays, Consultant and Private Investor
- Tony Schnug, Chief Executive Officer of Americold Realty Trust

Gray Davis is Of Counsel in the Los Angeles office of Loeb & Loeb LLP, a multi-service national law firm. Before joining Loeb & Loeb, Mr. Davis served as Governor of California (1998-2003), Lieutenant Governor of California (1995-1999), California State Controller (1987-1995), California State Assembly Representative for Los Angeles County (1983-1987) and Chief of Staff to California Governor Edmund G. Brown, Jr.(1975-1981). Mr. Davis will serve as a member of the nominating and corporate governance committee and capital markets committee of the board of directors of the Registrant.

Michael Duckworth is a partner of Yucaipa, a Los Angeles-based private investment firm specializing in acquiring and operating companies in the retail, distribution, logistics and technology areas. From 2000-2003, he was Managing Director, Investment Banking for Merrill Lynch & Co. in Los Angeles where he was responsible for all client activity including public and private debt, equity and origination and private equity fund raising as well as managing client relationships with west coast private equity firms including Texas Pacific Group, Hellman & Friedman, Leonard Green, Francisco Partners, Fremont, and

others. From 1988-2000, Mr. Duckworth served as Managing Director, Financial Sponsor Coverage for Deutsche Bank Securities (formerly Bankers Trust Company). Mr. Duckworth will serve as chairman of the capital markets committee of the board of directors of the Registrant.

David Jessick is currently a consultant to Rite Aid Corporation where he served as a Senior Executive Vice President and Chief Administrative Officer from December 1999 to June 2002. Prior to that, from 1997 to 1998, Mr. Jessick was the Chief Financial Officer and Executive Vice President of Finance and Investor Relations for Fred Meyer, Inc. From 1979 to 1996, he was Executive Vice President and Chief Financial Officer at Thrifty Payless Holdings, Inc. He is currently a director of WKI Holding Company, Inc. (chairman of the audit and the compensation committees), Pinnacle Foods Group, Inc. and Dollar Financial Corp. (chairman of the audit committee). Mr. Jessick will serve as a member of the audit committee of the board of directors of the Registrant.

Gregory Mays has been a consultant and private investor from February 1999 to present. Throughout his career, Mr. Mays has held numerous executive and financial positions primarily in the supermarket industry, most recently, from 1995 to 1999, as Executive Vice President of Ralphs Grocery. Prior to that, from 1992 to 1995, he was Executive Vice President of Food4Less Inc. From 1990 to 1992, Mr. Mays was Chief Executive Officer and President of Almacs Supermarkets. Mr. Mays is currently a director and Chief Financial Officer of Simon Marketing. Mr. Mays will serve as a member of the compensation committee of the board of directors of the Registrant.

Tony Schnug is the Chief Executive Officer of Americold Realty Trust. Prior to that, Mr. Schnug had been affiliated with Yucaipa for more than 12 years. Mr. Schnug served as Executive Vice President of Corporate Operations at Fred Meyer from 1997 to 1998. From 1995 to 1997, he was at Ralphs Grocery Company and oversaw post-merger integrations for both the Ralphs-Food4Less acquisition in 1995 and the Fred Meyer-Ralphs merger in 1997. He also served as Senior Vice President of Administration at Food4Less from 1990 to 1995. Prior to that, Mr. Schnug was the Managing Partner for Sage Worldwide, a wholly owned subsidiary of advertising giant, Ogilvy & Mather. Mr. Schnug is a director of Digital On-Demand, Inc., and Americold Realty Trust. He is a former director of Alliance.

On March 1, 2005, the Registrant issued a press release containing information related to the nomination of the above-referenced individuals. A copy of this press release is attached as Exhibit 99.1 to this Current Report and is incorporated herein by reference.

ELECTION OF ALAN TUCHMAN

On February 28, 2005, in connection with the Merger, the Registrant's board of directors elected Alan Tuchman to the position of executive vice president of the Registrant.

ITEM 5.03 - AMENDMENTS TO ARTICLES OF INCORPORATION OR BYLAWS; CHANGE IN FISCAL YEAR

AMENDMENT TO ARTICLES OF INCORPORATION

On February 28, 2005, in connection with the Merger and following the affirmative vote of the holders of a majority of the Registrant's issued and outstanding common stock, the Registrant's articles of incorporation were amended to increase the number of authorized shares from 40 million to 100 million. The increase in the number of authorized shares was necessary to provide a sufficient number of shares of the Registrant's common stock for issuance to Alliance stockholders in connection with the Merger. A copy of the amendment to the Registrant's articles of incorporation that was filed with the Missouri Secretary of State is filed as Exhibit 3.8 to this Current Report and is incorporated herein by reference.

CERTIFICATE OF INCORPORATION OF SOURCE DELAWARE

On February 28, 2005, following the Reincorporation, the certificate of incorporation of Source Delaware became the certificate of incorporation of the Registrant, superseding all prior charters. A copy of the certificate of incorporation of Source Delaware is filed as Exhibit 3.9 to this Current Report and is incorporated herein by reference.

ADOPTION OF AMENDED AND RESTATED BYLAWS

On February 28, 2005, as contemplated by the Merger Agreement and effective immediately following the Merger and the Reincorporation, the board of directors of the Registrant amended and restated the bylaws of Source Delaware. The amended and restated bylaws provide for, among other things, the obligation of the Registrant pursuant to the Merger Agreement to allow Alliance to designate five nominees to the board of directors of the Registrant. A copy of the amended and restated bylaws of Source Delaware is filed as Exhibit 3.10 to this Current Report and is incorporated herein by reference.

ITEM 5.05 - AMENDMENTS TO THE REGISTRANT'S CODE OF ETHICS, OR WAIVER OF A PROVISION IN THE CODE OF ETHICS

On February 28, 2005, immediately following the Reincorporation, the board of directors of Source Delaware adopted the Code of Business Conduct and Ethics ("CODE OF ETHICS") attached as Exhibit 14.1 to this Current Report, effectively amending the Registrant's previous code of ethics, which had been Source Missouri's code of ethics. The Code of Ethics is applicable to all executive officers and all other employees and agents of the Registrant and its subsidiaries, as well as to the Registrant's directors. In addition, the board of directors adopted a Code of Ethics for Chief Executive Officer and Financial Executives attached as Exhibit 14.2 to this Current Report and a Code of Conduct for Directors and Executive Officers attached as Exhibit 14.3 to this Current

Report, which supplement the Code of Ethics. Each of these exhibits is incorporated herein by reference.

ITEM 8.01 - OTHER EVENTS

CHANGE IN STATE OF INCORPORATION

Effective February 28, 2005, the Registrant changed its state of incorporation from Missouri to Delaware. The change in the Registrant's state of incorporation was approved by its shareholders at a special meeting of shareholders held on February 28, 2005.

The Reincorporation into the State of Delaware was accomplished by the merger of Source Missouri with and into Source Delaware, which was the surviving corporation in the merger. The Reincorporation will not result in any change in the Registrant's name, headquarters, business, jobs, management, location of offices or facilities, number of employees, assets, liabilities or net worth. The Registrant's common stock will continue to trade on the Nasdaq National Market under the symbol "SORC." Source Missouri shareholders will not be required to undertake a mandatory exchange of their shares. Certificates for Source Missouri's shares automatically represent an equal number of shares of Source Delaware.

ITEM 9.01 - FINANCIAL STATEMENTS AND EXHIBITS

(a) Financial Statements of Business Acquired

The financial statements required by this Item will be filed by the Registrant pursuant to an amendment to this Current Report no later than 71 calendar days after the date this initial Current Report must be filed.

(b) Pro Forma Financial Information

The pro forma financial information required by this Item will be filed by the Registrant pursuant to an amendment to this Current Report no later than 71 calendar days after the date this initial Current Report must be filed.

(c) Exhibits

2.2 Agreement and Plan of Merger dated February 28, 2005, between Source Interlink Companies, Inc., a Missouri corporation and Source Interlink Companies, Inc., a Delaware corporation

3.8 Amendment to Articles of Incorporation of Source Interlink Companies, Inc., a Missouri corporation

3.9 Certificate of Incorporation of Source Interlink Companies, Inc., a

	Delaware corporation
3.10	Amended and Restated Bylaws of Source Interlink Companies, Inc., a Delaware corporation
4.1	Form of Common Stock Certificate of Source Interlink Companies, Inc., a Delaware corporation
4.4	Stockholder's Agreement dated February 28, 2005, between the Registrant and AEC Associates, LLC
10.6	Employment Agreement dated February 28, 2005 between the Registrant and James R. Gillis
10.21	Employment Agreement dated February 28, 2005 between the Registrant and S. Leslie Flegel
10.22	Employment Agreement dated February 28, 2005 between the Registrant and Jason S. Flegel
10.41	Employment Agreement dated February 28, 2005 between the Registrant and Marc Fierman
10.44	Amended and Restated Loan Agreement dated February 28, 2005 by and among the Registrant, its subsidiaries, and Wells Fargo Foothill, Inc., as arranger and administrative agent
10.49	Employment Agreement dated February 28, 2005 between the Registrant and Alan Tuchman
10.55	Source Interlink Companies, Inc. Supplemental Executive Retirement Plan, effective as of March 1, 2005
10.56	Source Interlink Companies, Inc. Challenge Grant Program, effective as of March 1, 2005
10.57	Executive Participation Agreement dated February 28, 2005 between the Registrant and James R. Gillis
10.58	Form of Executive Participation Agreement
10.59	Form of Split-Dollar Insurance Agreement
10.60	Consulting Agreement dated February 28, 2005 between the Registrant and The Yucaipa Companies, LLC
14.1	Code of Business Conduct and Ethics of Source Interlink Companies, Inc., a Delaware corporation
14.2	Code of Ethics for Chief Executive Officer and Financial Executives of Source Interlink Companies, Inc., a Delaware corporation

14.3 Code of Conduct for Directors and Executive Officers of Source Interlink Companies, Inc., a Delaware corporation

99.1 Press Release Regarding New Directors

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: March 4, 2005

SOURCE INTERLINK COMPANIES, INC.

By: /s/ Marc Fierman

Marc Fierman
Executive Vice President and Chief Financial Officer

EXHIBIT INDEX

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14.2	Code of Ethics for Chief Executive Officer and Financial Executives of Source Interlink Companies, Inc., a Delaware corporation
14.3	Code of Conduct for Directors and Executive Officers of Source Interlink Companies, Inc., a Delaware corporation
99.1	Press Release Regarding New Directors

EXHIBIT 2.2

AGREEMENT AND PLAN OF MERGER

This AGREEMENT AND PLAN OF MERGER (this "AGREEMENT"), dated as of February 28, 2005, is entered into between SOURCE INTERLINK COMPANIES, INC., a Missouri corporation ("SOURCE MISSOURI") and SOURCE INTERLINK COMPANIES, INC., a Delaware corporation and a wholly owned subsidiary of Source Missouri ("SOURCE DELAWARE").

RECITALS

WHEREAS, the board of directors of each of Source Missouri and Source Delaware deems it advisable, upon the terms and subject to the conditions herein stated, that Source Missouri be merged with and into Source Delaware, and that Source Delaware be the surviving corporation (the "REINCORPORATION MERGER"); and

WHEREAS, Source Missouri will submit this Agreement to its shareholders for approval.

NOW, THEREFORE, with the intent to be legally bound, the parties hereto agree as follows:

ARTICLE I
REINCORPORATION MERGER; EFFECTIVE TIME

1.1 Reincorporation Merger. Upon the terms and subject to the conditions set forth in this Agreement, at the Effective Time (as defined in Section 1.2), Source Missouri shall be merged with and into Source Delaware whereupon the separate existence of Source Missouri shall cease. Source Delaware shall be the surviving corporation (sometimes hereinafter referred to as the "SURVIVING CORPORATION") in the Reincorporation Merger and shall continue to be governed by the laws of the State of Delaware. The Reincorporation Merger shall have the effects specified in the General Corporation Law of the State of Delaware, as amended (the "DGCL") and in the General and Business Corporation Law of the State of Missouri, as amended (the "MGBCL") and the Surviving Corporation shall succeed, without other transfer, to all of the assets and property (whether real, personal or mixed), rights, privileges, franchises, immunities and powers of Source Missouri, and shall assume and be subject to all of the duties, liabilities, obligations and restrictions of every kind and description of Source Missouri, including, without limitation, all outstanding indebtedness of Source Missouri.

1.2 Effective Time. Provided that the condition set forth in Section 5.1 has been fulfilled or waived in accordance with this Agreement and that this Agreement has not been terminated or abandoned pursuant to Section 6.1, on the date of the closing of the Reincorporation Merger, Source Missouri and Source Delaware shall cause Summary Articles of Merger to be executed and filed with the Secretary of State of the State of Missouri (the "MISSOURI ARTICLES OF

MERGER") and a Certificate of Merger to be executed and filed with the Secretary of State of the State of Delaware (the "DELAWARE CERTIFICATE OF MERGER"). The

Reincorporation Merger shall become effective upon the date and time specified in the Missouri Articles of Merger and the Delaware Certificate of Merger (the "EFFECTIVE TIME").

ARTICLE II
CHARTER AND BYLAWS OF THE SURVIVING CORPORATION

2.1 Certificate of Incorporation. The certificate of incorporation of Source Delaware in effect at the Effective Time shall be the certificate of incorporation of the Surviving Corporation, until amended in accordance with the provisions provided therein or applicable law.

2.2 Bylaws. The bylaws of Source Delaware in effect at the Effective Time shall be the bylaws of the Surviving Corporation, until amended in accordance with the provisions provided therein or applicable law.

ARTICLE III
OFFICERS AND DIRECTORS OF THE SURVIVING CORPORATION

3.1 Officers. The officers of Source Delaware at the Effective Time shall, from and after the Effective Time, be the officers of the Surviving Corporation, until their successors have been duly elected or appointed and qualified, or until their earlier death, resignation or removal.

3.2 Directors. The directors and the members of the various committees of the board of directors of Source Delaware at the Effective Time shall, from and after the Effective Time, be the directors and members of such committees of the Surviving Corporation, until their successors have been duly elected or appointed and qualified, or until their earlier death, resignation or removal.

ARTICLE IV
EFFECT OF MERGER ON CAPITAL STOCK

4.1 Effect of Merger on Capital Stock. At the Effective Time, as a result of the Reincorporation Merger and without any action on the part of Source Missouri, Source Delaware or the shareholders of Source Missouri:

(a) Each share of common stock, par value $0.01 per share, of Source Missouri ("MISSOURI COMMON STOCK") issued and outstanding immediately prior to the Effective Time shall be converted (without the surrender of stock certificates or any other action) into one fully paid and non-assessable share of common stock, par value $0.01 per share, of Source Delaware ("DELAWARE COMMON STOCK"), with the same rights, powers and privileges as the shares so converted and all shares of Missouri Common Stock shall be cancelled and retired and shall cease to exist.

(b) Each option, warrant, purchase right, unit or other security of Source Missouri issued and outstanding immediately prior to the Effective Time shall be converted into and shall be an identical security of Source Delaware, convertible into the right to acquire the same number of shares of Delaware Common Stock as the number of shares of Missouri

Common Stock that were acquirable pursuant to such option, warrant, purchase right, unit or other security. The same number of shares of Delaware Common Stock shall be reserved for purposes of the exercise of such options, warrants, purchase rights, units or other securities as is equal to the number of shares of the Missouri Common Stock so reserved as of the Effective Time.

(c) Each share of Delaware Common Stock owned by Source Missouri shall no longer be outstanding and shall be cancelled and retired and shall cease to exist.

4.2 Certificates. At and after the Effective Time, all of the outstanding certificates which immediately prior thereto represented shares of Missouri Common Stock, or options, warrants, purchase rights, units or other securities of Source Missouri, shall be deemed for all purposes to evidence ownership of and to represent shares of Delaware Common Stock, or options, warrants, purchase rights, units or other securities of Source Delaware, as the case may be, into which the shares of Missouri Common Stock, or options, warrants, purchase rights, units or other securities of Source Missouri, represented by such certificates have been converted as herein provided and shall be so registered on the books and records of the Surviving Corporation or its transfer agent. The registered owner of any such outstanding certificate shall, until such certificate shall have been surrendered for transfer or otherwise accounted for to the Surviving Corporation or its transfer agent, have and be entitled to exercise any voting and other rights with respect to, and to receive any dividends and other distributions upon, the shares of Delaware Common Stock, or options, warrants, purchase rights, units or other securities of Source Delaware, as the case may be, evidenced by such outstanding certificate, as above provided.

ARTICLE V
CONDITION

5.1 Condition to Each Party's Obligation to Effect the Reincorporation Merger. The respective obligation of each party hereto to effect the Reincorporation Merger is subject to receipt prior to the Effective Time of the requisite approval of this Agreement and the transactions contemplated hereby by the holders of two-thirds (2/3) of issued and outstanding Missouri Common Stock pursuant to the MGBCL and the articles of incorporation and bylaws of Source Missouri.

ARTICLE VI
TERMINATION

6.1 Termination. This Agreement may be terminated, and the Reincorporation Merger may be abandoned by the board of directors of Source Missouri, at any time prior to the Effective Time, whether before or after approval of this Agreement by the shareholders of Source Missouri, if the board of directors of Source Missouri determines for any reason, in its sole judgment and discretion, that the consummation of the Reincorporation Merger would be inadvisable or not in the best interests of Source Missouri and its shareholders. In the event of the termination and abandonment of this Agreement, this Agreement shall become null and void

and have no effect, without any liability on the part of either Source Missouri or Source Delaware, or any of their respective shareholders, directors or officers.

ARTICLE VII
MISCELLANEOUS AND GENERAL

7.1 Modification or Amendment. Subject to the provisions of applicable law, at any time prior to the Effective Time, the parties hereto may modify or amend this Agreement; provided, however, that an amendment made subsequent to the approval of this Agreement by the holders of Missouri Common Stock shall not (i) alter or change the amount or kind of shares and/or rights to be received in exchange for or on conversion of all or any of the shares or any class or series thereof of such corporation, (ii) alter or change any provision of the certificate of incorporation of the Surviving Corporation to be effected by the Reincorporation Merger, or (iii) alter or change any of the terms or conditions of this Agreement it such alteration or change would adversely affect the holders of any class or series of capital stock of any of the parties hereto.

7.2 Counterparts. This Agreement may be executed in any number of counterparts, each such counterpart being deemed to be an original instrument, and all such counterparts shall together constitute the same agreement.

7.3 Governing Law. This Agreement shall be deemed to be made in and in all respects shall be interpreted, construed and governed by and in accordance with the laws of the State of Delaware without regard to the conflict of law principles thereof.

7.4 Entire Agreement. This Agreement constitutes the entire agreement, and supercedes all other prior agreements, understandings, representations and warranties both written and oral, among the parties, with respect to the subject matter hereof.

7.5 No Third Party Beneficiaries. This Agreement is not intended to confer upon any person other than the parties hereto any rights or remedies hereunder.

7.6 Severability. The provisions of this Agreement shall be deemed severable and the invalidity or unenforceability of any provision shall not affect the validity or enforceability of the other provisions hereof. If any provision of this Agreement, or the application thereof to any person or any circumstance, is determined by any court or other authority of competent jurisdiction to be invalid or unenforceable, (a) a suitable and equitable provision shall be substituted therefor in order to carry out, so far as may be valid and enforceable, the intent and purpose of such invalid or unenforceable provision and (b) the remainder of this Agreement and the application of such provision to other persons or circumstances shall not be affected by such invalidity or unenforceability, nor shall such invalidity or unenforceability affect the validity or enforceability of such provision, or the application thereof, in any other jurisdiction.

7.7 Headings. The headings therein are for convenience of reference only, do not constitute part of this Agreement and shall not be deemed to limit or otherwise affect any of the provisions hereof.

[SIGNATURE PAGE FOLLOWS]

SIGNATURE PAGE TO AGREEMENT AND PLAN OF MERGER

IN WITNESS WHEREOF, this Agreement has been duly executed and delivered by the duly authorized officers of the parties hereto as of the date first written above.

SOURCE INTERLINK COMPANIES, INC.,
a Missouri corporation

By:/s/ Jason S. Flegel

Jason S. Flegel, Executive Vice President

SOURCE INTERLINK COMPANIES, INC.
a Delaware corporation

By: /s/Douglas J. Bates

Douglas J. Bates, Secretary

EXHIBIT 3.8

SOURCE INTERLINK COMPANIES, INC.

AMENDMENT OF ARTICLES OF INCORPORATION

HONORABLE ROBIN CARNAHAN
SECRETARY OF STATE
STATE OF MISSOURI
JEFFERSON CITY, MISSOURI 65101

Pursuant to the provisions of the General and Business Corporation Law of Missouri, the undersigned Corporation certifies the following:

SECTION 1

The present name of the Corporation is Source Interlink Companies, Inc. The name under which it was originally organized was Periodico, Inc.

SECTION 2

An amendment to the Corporation's Articles of Incorporation were adopted by the shareholders on February 28, 2005.

SECTION 3

Section (a) of Article Four of the Articles of Incorporation is amended to read as follows:

> "(a) The aggregate number of shares of capital stock which the corporation shall have the authority to issue is one hundred two million (102,000,000), each having a par value of one cent ($0.01) per share. Of such authorized shares, one hundred million (100,000,000) shares are hereby classified and designated as common stock and two million (2,000,000) shares are hereby classified and designated preferred stock."

SECTION 4

All of the 23,734,940 outstanding shares of common stock were entitled to vote on the foregoing amendment.

SECTION 5

19,950,278 shares of common stock voted for the foregoing amendment; 2,726,250 shares of common stock voted against the foregoing amendment; and 92,811 shares of common stock abstained from voting. The remaining 965,601 shares of common stock were not represented at the meeting. Shares of preferred

stock have no voting rights.

SECTION 6

The foregoing amendment did not provide for any exchange, reclassification, or cancellation of issued shares, or a reduction of the number of authorized shares of any class below the number of issued shares of that class.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Corporation has caused this Amendment of Articles of Incorporation to be signed by its Secretary on this 28th date of February, 2005.

SOURCE INTERLINK COMPANIES, INC.

By: /s/ Douglas J. Bates

Douglas J. Bates
Secretary

EXHIBIT 3.9

CERTIFICATE OF INCORPORATION

ARTICLE I

The name of the corporation is Source Interlink Companies, Inc. (the "CORPORATION").

ARTICLE II

The address of the Corporation's registered office in the State of Delaware is 2711 Centerville Road, Suite 400 in the City of Wilmington, County of New Castle. The name of its registered agent at such address is Corporation Service Company.

ARTICLE III

The purpose of the Corporation is to engage in any lawful act or activity for which a corporation may be organized under the General Corporation Law of the State of Delaware (the "DGCL").

ARTICLE IV

SECTION 1. The total number of shares of all classes of stock which the Corporation is authorized to issue is 102,000,000 shares consisting of: (a) 100,000,000 shares of common stock, par value $0.01 per share (the "COMMON STOCK"), and (b) 2,000,000 shares of preferred stock, par value $0.01 per share (the "PREFERRED STOCK"). The number of authorized shares of any class or classes of stock may be increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of the holders of at least a majority of the voting power of the issued and outstanding Common Stock, voting together as a single class.

SECTION 2. The Preferred Stock may be issued from time to time in one or more series pursuant to a resolution or resolutions providing for such issue duly adopted by the Board of Directors (authority to do so being hereby expressly vested in the Board of Directors). The Board of Directors is further authorized, subject to limitations prescribed by law, to fix by resolution or resolutions the designations, powers, preferences and rights, and the qualifications, limitations or restrictions thereof, of any wholly unissued series of Preferred Stock, including without limitation authority to fix by resolution or resolutions the dividend rights, dividend rate, conversion rights, voting rights, rights and terms of redemption (including sinking fund provisions), redemption price or prices, and liquidation preferences of any such series, and the number of shares constituting any such series and the designation thereof, or any of the foregoing.

ARTICLE V

The Corporation is to have perpetual existence.

ARTICLE VI

SECTION 1. The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors. In addition to the powers and authority conferred upon them by statute of this Certificate of Incorporation or the Bylaws of the Corporation, the directors are hereby empowered to exercise all such powers and do all such acts and things as may be exercised or done by the Corporation.

SECTION 2. In furtherance and not in limitation of the powers conferred by statute, the Board of Directors is expressly authorized to adopt, alter, amend or repeal the Bylaws of the Corporation. The affirmative vote of at least a majority of the Board of Directors then in office shall be required in order for the Board of Directors to adopt, amend, alter or repeal the Corporation's Bylaws. The Corporation's Bylaws may also be adopted, amended, altered or repealed by the stockholders of the Corporation. Notwithstanding the above or any other provision of this Certificate of Incorporation, the Bylaws of the Corporation may not be amended, altered or repealed except in accordance with Article X of the Bylaws. No Bylaw hereafter legally adopted, amended, altered or repealed shall

invalidate any prior act of the directors or officers of the Corporation that would have been valid if such Bylaw had not been adopted, amended, altered or repealed.

SECTION 3. Election of directors of the Corporation need not be elected by written ballot unless the Bylaws so provide.

SECTION 4. No stockholder will be permitted to cumulate votes at any election of directors.

SECTION 5. Any action required or permitted to be taken by the stockholders of the Corporation must be effected at a duly called annual or special meeting of stockholders of the Corporation and may not be effected by any consent in writing by such stockholders.

SECTION 6. Advance notice of new business and stockholder nominations for the election of directors shall be given in the manner and to the extent provided in the Bylaws.

SECTION 7. Unless otherwise required by law, special meetings of the stockholders of the Corporation may be called only by (i) the Board of Directors of the Corporation, (ii) the Chairperson of the Board of Directors of the Corporation or (iii) the Chief Executive Officer or president (in the absence of a chief executive officer) of the Corporation.

ARTICLE VII

SECTION 1. The number of directors that constitute the whole Board of Directors shall be fixed exclusively in the manner designated by the Bylaws.

SECTION 2. The qualifications of directors and their divisions into classes shall be specified in the Bylaws of the Corporation. If the number of directors is hereafter changed, any newly created directorships or decreases in directorships shall be so apportioned among the classes as to make all classes as nearly equal in number as is practicable, provided that no decrease in the number of directors constituting the Board of Directors shall shorten the term of any incumbent director.

SECTION 3. Each director shall serve until the expiration of the term for which he or she is elected and until his or her successors has been duly elected and qualified, except in the case of the death, resignation, retirement or removal of such director.

SECTION 4. Except as otherwise provided for or fixed by or pursuant to the rights of the holders of Preferred Stock to elect directors under specified circumstances, newly created directorships resulting from any increase in the number of directors, created in accordance with the Bylaws, and any vacancies on the Board of Directors resulting from death, resignation, disqualification, removal or other cause shall be filled only in the manner set forth in the Bylaws. No decrease in the number of directors constituting the Board of Directors shall shorten the term of any incumbent director.

SECTION 5. Any director or the entire Board of Directors may be removed from office at such time, for such reasons, or for no reason, by the stockholders of the Corporation in the manner set forth in the Bylaws.

ARTICLE VIII

SECTION 1. To the fullest extent permitted by the DGCL as it presently exists or as may hereafter be amended, a director of the Corporation shall not be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director. If the DGCL is amended to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director of the Corporation shall be eliminated to the fullest extent permitted by the DGCL, as so amended.

SECTION 2. The Corporation shall indemnify and hold harmless, to the fullest extent permitted by the DGCL as it presently exists or may hereafter be amended, any person who was or is made or threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether criminal, civil, administrative or

investigative, by reason of the fact that such person (or the legal representative of such person) is or was a director, officer, employee or agent of the Corporation or any predecessor to the Corporation or serves or served at any other enterprise as a director, officer, employee or agent at the request of the Corporation or any predecessor to the Corporation.

SECTION 3. Neither any amendment or repeal of any Section of this Article VII, nor the adoption of any provision of this Certificate of Incorporation inconsistent with this Article VII, shall eliminate or reduce the effect of this Article VII, in respect of any matter occurring, or any action or proceeding accruing or arising or that, but for this Article VII, would accrue or arise, prior to such amendment, repeal or adoption of an inconsistent provision.

ARTICLE IX

Meetings of stockholders may be held within or without the State of Delaware, as the Bylaws may provide. The books of the Corporation may be kept (subject to any provision contained in the statutes) outside of the State of Delaware at such place or places as may be designated from time to time by the Board of Directors or in the Bylaws.

ARTICLE X

The Corporation reserves the right to amend, alter, change or repeal any provision contained in this Certificate of Incorporation, in the manner now or hereafter prescribed by statute, and all rights conferred upon stockholders herein are granted subject to this reservation; provided, however, that, notwithstanding any other provision of this Certificate of Incorporation or any provision of law which might otherwise permit a lesser vote or not vote, but in addition to any vote of the holders of any class or series of stock of this Corporation required by law or by this Certificate of Incorporation, the affirmative vote of sixty-six and two-thirds percent (66 2/3%) of the then outstanding voting securities of the Corporation, voting together as a single class, shall be required for the amendment, repeal or modification of the provisions of Sections 2, 5, 6 and 7 of Article SIXTH, Article SEVENTH, Article EIGHTH or this Article TEN of this Certificate of Incorporation.

ARTICLE XI

The name and the mailing address of the incorporator are as follows:

<TABLE>
<CAPTION>

NAME	MAILING ADDRESS
<S>	<C>
Frank J. Rauktis	Cohen & Grigsby, P.C. 15th Floor, 11 Stanwix Street Pittsburgh, PA 15222

</TABLE>

IN WITNESS WHEREOF, Source Interlink Companies, Inc. has caused this Certificate of Incorporation to be signed by the Incorporator on this 27th day of January, 2005.

By:

/s/ Frank J. Rauktis

Frank J. Rauktis
Incorporator

EXHIBIT 3.10

AMENDED AND RESTATED
BYLAWS OF
SOURCE INTERLINK COMPANIES, INC.
(A DELAWARE CORPORATION)

EFFECTIVE AS OF FEBRUARY 28, 2005

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SOURCE INTERLINK COMPANIES, INC.
BYLAWS

ARTICLE I

CORPORATE OFFICES

1.1 Registered Office

The registered office of Source Interlink Companies, Inc. (the "CORPORATION") shall be fixed in the Corporation's Certificate, as the same may be amended from time to time (as so amended, the "CERTIFICATE").

1.2 Other Offices

The Corporation's board of directors (the "BOARD") may at any time establish other offices at any place or places where the Corporation is qualified to do business.

ARTICLE II

MEETINGS OF STOCKHOLDERS

2.1 Place of Meetings

Meetings of stockholders shall be held at any place, within or outside the State of Delaware, designated by the Board. The Board may, in its sole discretion, determine that a meeting of stockholders shall not be held at any place, but may instead be held solely by means of remote communication as authorized by Section 211 (a) (2) of the Delaware General Corporation Law (the "DGCL"). In the absence of any such designation or determination, stockholders' meetings shall be held at the Corporation's principal executive office.

2.2 Annual Meeting

The annual meeting of stockholders shall be held each year on a date and time designated by the Board and stated in the notice of the meeting. At the annual meeting, directors shall be elected and any other proper business may be transacted.

2.3 Special Meeting

Unless otherwise required by law or the Certificate, special meetings of the stockholders of the Corporation may be called only by (i) the Board of Directors of the Corporation, (ii) the Chairperson of the Board of Directors of the Corporation or (iii) the Chief Executive Officer or president (in the absence of a chief executive officer) of the Corporation.

No business may be transacted at such special meeting other than the business specified in the notice to stockholders of such meeting. Nothing contained in this paragraph of this Section 2.3 shall be construed as limiting, fixing, or affecting the time when a meeting of stockholders called by action of the Board may be held.

2.4 Notice of Stockholders' Meetings

All notices of meetings of stockholders shall be sent or otherwise given in accordance with either Section 2.5 or Section 8.1 of these bylaws not less than ten (10) nor more than sixty (60) days before the date of the meeting to each stockholder entitled to vote at such meeting, except as otherwise required by applicable law. The notice of meeting shall specify the place, if any, date and hour of the meeting, the means of remote communication, if any, by which stockholders and proxy holders may be deemed to be present in person and vote at such meeting, and, in the case of a special meeting, the purpose or purposes for which the meeting is called. Any previously scheduled meeting of stockholders may be postponed, and, unless the Certificate provides otherwise, any special meeting of

the stockholders may be cancelled by resolution duly adopted by a majority of the Board members then in office upon public notice given prior to the date previously scheduled for such meeting of stockholders.

Whenever notice is required to be given, under the DGCL, the Certificate or these bylaws, to any person with whom communication is unlawful, the giving of such notice to such person shall not be required and there shall be no duty to apply to any governmental authority or agency for a license or permit to give such notice to such person. Any action or meeting which shall be taken or held without notice to any such person with whom communication is unlawful shall have the same force and effect as if such notice had been duly given. In the event that the action taken by the corporation is such as to require the filing of a certificate with the Secretary of State of Delaware, the certificate shall

state, if such is the fact and if notice is required, that notice was given to all persons entitled to receive notice except such persons with whom communication is unlawful.

Whenever notice is required to be given, under any provision of the DGCL, the Certificate or these bylaws, to any stockholder to whom (a) notice of two (2) consecutive annual meetings, or (b) all, and at least two (2) payments (if sent by first-class mail) of dividends or interest on securities during a twelve (12) month period, have been mailed addressed to such person at such person's address as shown on the records of the corporation and have been returned undeliverable, the giving of such notice to such person shall not be required. Any action or meeting which shall be taken or held without notice to such person shall have the same force and effect as if such notice had been duly given. If any such person shall deliver to the Corporation a written notice setting forth such person's then current address, the requirement that notice be given to such person shall be reinstated. In the event that the action taken by the Corporation is such as to require the filing of a certificate with the Secretary of State of Delaware, the certificate need not state that notice was not given to persons to whom notice was not required to be given pursuant to Section 230(b) of the DGCL.

The exception in subsection (a) of the above paragraph to the requirement that notice be given shall not be applicable to any notice returned as undeliverable if the notice was given by electronic transmission.

2.5 Manner of Giving Notice; Affidavit of Notice

Notice of any meeting of stockholders shall be given:

(a) If mailed, when deposited in the United States mail, postage prepaid, directed to the stockholder at his or her address as it appears on the Corporation's records;

(b) if electronically transmitted as provided in Section 8.1 of these bylaws; or

(c) otherwise, when delivered.

An affidavit of the secretary or an assistant secretary of the Corporation or of the transfer agent or any other agent of the Corporation that the notice has been given shall, in the absence of fraud, be prima facie evidence of the facts stated therein.

2.6 Quorum

Unless otherwise provided in the Certificate or required by law, stockholders representing a majority of the issued and outstanding capital stock of the Corporation and entitled to vote, present in person or represented by proxy, shall constitute a quorum for the transaction of business at all meetings of the stockholders. If such quorum is not present or represented at any meeting of the stockholders, then either (a) the chairperson of the meeting, or (b) the stockholders representing a majority of the issued and outstanding capital stock

of the corporation at the meeting, present in person or represented by proxy, shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum is present or represented. At such adjourned meeting at which a quorum is present or represented, any business may be transacted that might have been transacted at the meeting as originally noticed. The stockholders present at a duly called meeting at which quorum is present may continue to transact business until adjournment, notwithstanding the withdrawal of enough stockholders to leave less than a quorum.

2.7 Adjourned Meeting; Notice

When a meeting is adjourned to another time or place, unless these bylaws otherwise require, notice need not be given of the adjourned meeting if the time, place if any thereof, and the means of remote communications if any by which stockholders and proxy holders may be deemed to be present in person and vote at such adjourned meeting are announced at the meeting at which the adjournment is taken. At the adjourned meeting, the corporation may transact any business which might have been transacted at the original meeting. If the adjournment is for more than 30 days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

2.8 Administration of the Meeting

Meetings of stockholders shall be presided over by the Chairperson of the Board or, in the absence thereof, by such person as the Chairperson of the Board shall appoint, or, in the absence thereof or in the event that the Chairperson shall fail to make such appointment, any officer of the corporation elected by the Board. In the absence of the secretary of the corporation, the secretary of the meeting shall be such person as the chairman of the meeting appoints.

The Board shall, in advance of any meeting of stockholders, appoint one (1) or more inspector(s), who may include individual(s) who serve the corporation in other capacities, including without limitation as officers, employees or agents, to act at the meeting of stockholders and make a written report thereof. The Board may designate one (1) or more persons as alternate inspector(s) to replace any inspector, who fails to act. If no inspector or alternate has been appointed or is able to act at a meeting of stockholders, the chairman of the meeting shall appoint one (1) or more inspector(s) to act at the meeting. Each inspector, before discharging his or her duties, shall take and sign an oath to faithfully execute the duties of inspector with strict impartiality and according to the best of his or her ability. The inspector(s) or alternate(s) shall have the duties prescribed pursuant to Section 231 of the DGCL or other applicable law.

The Board shall be entitled to make such rules or regulations for the conduct of meetings of stockholders as it shall deem necessary, appropriate or

convenient. Subject to such rules and regulations, if any, the chairman of the meeting shall have the right and authority to prescribe such rules, regulations and procedures and to do all acts as, in the judgment of such chairman, are necessary, appropriate or convenient for the proper conduct of the meeting, including without limitation establishing an agenda of business of the meeting, rules or regulations to maintain order, restrictions on entry to the meeting after the time fixed for commencement thereof and the fixing of the date and time of the opening and closing of the polls for each matter upon which the stockholders will vote at a meeting (and shall announce such at the meeting).

2.9 Voting

The stockholders entitled to vote at any meeting of stockholders shall be determined in accordance with the provisions of Section 2.11 of these bylaws, subject to Section 217 (relating to voting rights of fiduciaries, pledgors and joint owners of stock) and Section 218 (relating to voting trusts and other voting agreements) of the DGCL.

Except as may be otherwise provided by law, the Certificate or these bylaws, each stockholder shall have one vote for each share of capital stock entitled to vote held of record by such stockholder.

In all matters, other than the election of directors and except as otherwise required by law, the Certificate or these bylaws, the affirmative vote of a majority of the shares of capital stock presented or represented by proxy at the duly convened meeting and entitled to vote on the subject matter shall be the act of the stockholders. Directors shall be elected by a plurality of the shares of capital stock present or represented by proxy at the duly convened meeting and entitled to vote on the election of directors.

No stockholder will be permitted to cumulate votes at any election of directors.

2.10 No Stockholder Action by Written Consent without a Meeting

Any action required or permitted to be taken by the stockholders of the corporation must be effected at a duly called annual or special meeting of stockholders of the corporation and may not be effected by any consent in writing by such stockholders.

2.11 Record Date for Stockholder Notice; Voting; Giving Consent

In order that the corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or -exchange of stock or for the purpose of any other lawful

action, the Board may fix, in advance, a record date, which record date shall not precede the date on which the resolution fixing the record date is adopted and which shall not be more than sixty (60) nor less than ten (10) days before the date of such meeting, nor more than sixty (60) days prior to any other such action.

If the Board does not so fix a record date:

(a) The record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held.

(b) The record date for determining stockholders for any other purpose shall be at the close of business on the day on which the Board adopts the resolution relating thereto.

A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board may fix a new record date for the adjourned meeting.

2.12 Proxies

Each stockholder of record entitled to vote at a meeting of stockholders may authorize another person or persons to act for such stockholder by proxy authorized by an instrument in writing or by a transmission permitted by law filed in accordance with the procedure established for the meeting, but no such proxy shall be voted or acted upon after three years from its date, unless the proxy provides for a longer period. A stockholder may also authorize another person or persons to act for him, her or it as proxy in the manner(s) provided under Section 212(c) of the DGCL or as otherwise provided under Delaware law. The revocability of a proxy that states on its face that it is irrevocable shall be governed by the provisions of Section 212 of the DGCL.

2.13 List of Stockholders Entitled to Vote

The officer who has charge of the stock ledger of the Corporation shall prepare and make, at least ten (10) days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. The Corporation shall not be required to include electronic mail addresses or other electronic contact information on such list. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting for a period of at least ten (10) days prior to the meeting: (a) on a reasonably accessible electronic network, provided that the information required to gain access to such list is provided with the notice of the meeting, or (b) during ordinary business hours, at the corporation's principal executive office.

In the event that the Corporation determines to make the list available on

an electronic network, the Corporation may take reasonable steps to ensure that such information is available only to stockholders of the Corporation. If the meeting is to be held at a place, then the list shall be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present. If the meeting is to be held solely by means of remote communication, then the list shall also be open to the examination of any stockholder during the whole time of the meeting on a reasonably accessible electronic network, and the information

required to access such list shall be provided with the notice of the meeting. Such list shall presumptively determine the identity of the stockholders entitled to vote at the meeting and the number of shares held by each of them.

2.14 Advance Notice of Stockholder Business

Only such business shall be conducted as shall have been properly brought before a meeting of the stockholders of the Corporation. To be properly brought before an annual meeting, business must be (a) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board, (b) other-wise properly brought before the meeting by or at the direction of the Board, or (c) a proper matter for stockholder action under the DGCL that has been properly brought before the meeting by a stockholder of the Corporation (i) who is a stockholder of record on the date of the giving of the notice provided for in this Section 2.14 and on the record date for the determination of stockholders entitled to vote at such annual meeting and (ii) who complies with the notice procedures set forth in this Section 2.14. For such business to be considered properly brought before the meeting by a stockholder such stockholder must, in addition to any other applicable requirements, have given timely notice in proper form of such stockholder's intent to bring such business before such meeting. To be timely, such stockholder's notice must be delivered to or mailed and received by the secretary of the Corporation at the principal executive offices of the corporation not later than the close of business on the 120th day, nor earlier than the close of business on the 150th day, prior to the anniversary date of the immediately preceding annual meeting; provided, however, that in the event that no annual meeting was held in the previous year or the annual meeting is called for a date that is not within thirty (30) days before or after such anniversary date, notice by the stockholder to be timely must be so received not later than the close of business on the tenth (10th) day following the day on which such notice of the date of the meeting was mailed or public disclosure of the date of the meeting was made, whichever occurs first.

To be in proper form, a stockholder's notice to the secretary shall be in writing and shall set forth:

(a) the name and record address of the stockholder who intends to propose the business and the class or series and number of shares of capital stock of the Corporation which are owned beneficially or of record by such stockholder,

(b) a representation that the stockholder is a holder of record of stock of the Corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to introduce the business specified in the notice;

(c) a brief description of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting;

(d) any material interest of the stockholder in such business; and

(e) any other information that is required to be provided by the stockholder pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the "EXCHANGE ACT").

Notwithstanding the foregoing, in order to include information with respect to a stockholder proposal in the proxy statement and form of proxy for a stockholder's meeting, stockholders must provide notice as required by, and otherwise comply with the requirements of, the Exchange Act and the regulations promulgated thereunder.

No business shall be conducted at the annual meeting of stockholders except business brought before the annual meeting in accordance with the procedures set forth in this Section 2.14. The chairman of the meeting may refuse to acknowledge the proposal of any business not made in compliance with the foregoing procedure.

2.15 Advance Notice of Director Nominations

Only persons who are nominated in accordance with the following procedures shall be eligible for election as directors of the Corporation, except as may be otherwise provided in the Certificate. To be properly brought before an annual meeting of stockholders, or any special meeting of stockholders called for the purpose of electing directors, nominations for the election of director must be (a) specified in the notice of meeting (or any supplement

thereto), (b) made by or at the direction of the Board (or any duly authorized committee thereof) or (c) made by any stockholder of the Corporation (i) who is a stockholder of record on the date of the giving of the notice provided for in this Section 2.15 and on the record date for the determination of stockholders entitled to vote at such meeting and (ii) who complies with the notice procedures set forth in this Section 2.15.

In addition to any other applicable requirements, for a nomination to be made by a stockholder, such stockholder must have given timely notice thereof in proper written form to the secretary of the corporation. To be timely, a stockholder's notice to the secretary must be delivered to or mailed and

received at the principal executive offices of the Corporation, in the case of an annual meeting, in accordance with the provisions set forth in Section 2.14, and, in the case of a special meeting of stockholders called for the purpose of electing directors, not later than the close of business on the tenth (10th) day following the day on which notice of the date of the special meeting was mailed or public disclosure of the date of the special meeting was made, whichever first occurs.

To be in proper written form, a stockholder's notice to the secretary must set forth:

(a) as to each person whom the stockholder proposes to nominate for election as a director (i) the name, age, business address and residence address of the person, (ii) the principal occupation or employment of the person, (iii) the class or series and number of shares of capital stock of the corporation which are owned beneficially or of record by the person, (iv) a description of all arrangements or understandings between the stockholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nominations are to be made by the stockholder, and (v) any other information relating to such person that is required to be disclosed in solicitations of proxies for elections of directors, or is otherwise required, in each case pursuant to Regulation 14A under the Exchange Act (including without limitation such person's written consent to being named in the proxy statement, if any, as a nominee and to serving as a director if elected); and

(b) as to such stockholder giving notice, the information required to be provided pursuant to Section 2.14.

At the request of the Board, any person nominated by a stockholder for election as a director shall furnish to the secretary of the Corporation that information required to be set forth in the stockholder's notice of nomination which pertains to the nominee as well as a consent to serve as a director if so elected. No person shall be eligible for election as a director of the corporation unless nominated in accordance with the procedures set forth in this Section 2.15. The chairman of the meeting shall, if the facts warrant, determine and declare at the meeting that a nomination was not made in accordance with the procedures prescribed by these bylaws, and if he should so determine, he shall so declare at the meeting, and the defective nomination shall be disregarded.

ARTICLE III

DIRECTORS

3.1 Powers

Subject to the provisions of the DGCL and any limitations in the Certificate or these bylaws, the business and affairs of the Corporation shall be managed and all corporate powers shall be exercised by or under the direction of the Board.

3.2 Number of Directors

The number of directors constituting the entire Board shall be not less than three (3) nor more than eleven (11), as fixed from time to time by resolution of the Board by a Supermajority Board Approval (as defined below); provided, however, that the number of directors constituting the entire Board, shall initially be fixed at eleven (11). No reduction of the authorized number of directors shall have the effect of removing any director before that director's term of office expires.

3.3 Election, Qualification and Term of Office of Directors

(a) Except as provided in Section 3.4, each director, including a director elected to fill a vacancy, shall hold office until the expiration of the term for which elected and until such director's successor is elected and qualified or until such director's earlier death, resignation, retirement or removal. Directors need not be stockholders unless so required by the Certificate or these bylaws. The Certificate or these bylaws may prescribe other qualifications for directors.

(b) The directors of the Corporation shall be divided into three classes as nearly equal in size as is practicable, hereby designated Class I, Class II and Class III. The term of office of the initial Class I directors shall expire at the first annual meeting of the stockholders following the effective date of this provision as adopted by the Board (the "EFFECTIVE DATE"), the term of office of the initial Class II directors shall expire at the second annual meeting of the stockholders following the Effective Date and the term of office of the initial Class III directors shall expire at the third annual meeting of the stockholders following the Effective Date. At each annual meeting of stockholders, commencing with the first annual meeting of stockholders following the Effective Date, each of the successors elected to replace the directors of a Class whose term shall have expired at such annual meeting shall be elected to hold office until the third annual meeting next succeeding his or her election and until his or her respective successor shall have been duly elected and qualified. If the number of directors is hereafter changed, any newly created directorships or decrease in directorships shall be so apportioned among the classes as to make all classes as nearly equal in number as is practicable, provided that no decrease in the number of directors constituting the board of directors shall shorten the term of any incumbent director.

(c) The initial Class I, Class II and Class III directors immediately following the Effective Time shall be appointed as follows: (A) three Alliance Designated Directors (as defined below) to Class I, (B) one Alliance Designated Director and three Source Designated Directors (as defined below) to Class II and (C) one Alliance Designated Director and three Source Designated Directors to Class III. For purposes hereof, (a) the "ALLIANCE DESIGNATED DIRECTORS" shall mean those five individuals designated to serve on the board of directors by Alliance Entertainment Corporation pursuant to Section 7.11 of that certain Agreement and Plan of Merger dated November 18, 2004 among the Corporation,

Alliance Entertainment Corp. and Alligator Acquisition LLC (the "MERGER AGREEMENT") and (b) the "SOURCE DESIGNATED DIRECTORS" shall initially mean those six individuals designated to serve on the board of directors of the Corporation by the Corporation pursuant to Section 7.11 of the Merger Agreement and shall thereafter mean those individuals designated to serve on the board of directors by a majority of the Source Designated Directors pursuant to Section 3.7 below.

3.4 Removal and Resignation

Any director or the entire Board may be removed at any time, with or without cause, by the holders of the shares representing a majority of the voting power of the Corporation then entitled to vote at an election of directors. Whenever the holders of any class or series are entitled to elect one or more directors by the provisions of the Certificate, the provision of this Section, shall apply, in respect of the removal without cause of a director so elected, to the vote of the holders of the outstanding shares of that class or series and not to the vote of the outstanding shares as a whole. Any director may resign at any time upon notice given in writing or by electronic transmission to the corporation.

3.5 Vacancies

Subject to Section 3.6 and Section 3.7 below, vacancies and newly created directorships resulting from any increase in the authorized number of directors may be filled by a majority of the directors then in office, though less than a quorum, or by a sole remaining director. Each director so chosen shall hold office until the next election of the class for which such director shall have been chosen and until his or her successor is duly elected and qualified or until his or her earlier death, resignation, retirement or removal as herein provided.

3.6 Stockholder Designated Directors

Until such date as AEC Associates, LLC (the "STOCKHOLDER") and the Stockholder Group Members (as defined below) own less than 10% in the aggregate of the outstanding common stock of the Corporation (the

"MINIMUM HOLDING DATE"), if any Alliance Designated Director or Stockholder Designated Director (as defined below) is unable to fulfill his or her term in office, for whatever reason, either as a result of death, resignation, retirement or removal, a majority of the remaining Alliance Designated Directors and Stockholder Designated Directors, though less than a quorum, shall have the exclusive right to appoint the person to fill such vacancy and such person so appointed shall be deemed to be a Stockholder Designated Director. Each director so chosen shall hold office until a successor is duly elected and qualified or until his or her earlier death, resignation or removal as herein provided. For purposes hereof, (a) "STOCKHOLDER GROUP MEMBERS" shall mean the Stockholder and

those Affiliates (as defined below) and members and Persons (as defined below) who file Schedule 13Ds or Schedule 13Gs pursuant to the Securities Exchange Act of 1934, as amended (the "EXCHANGE ACT"), as a Group (as defined below) with Stockholder, (b) "AFFILIATES" shall have the meaning provided in Rule 144(a)(1) under the Securities Act of 1933, as amended, (c) "PERSONS" shall mean any Person, individual, corporation, partnership, trust, limited liability company or other non-governmental entity or any governmental agency, court, authority or other body (whether foreign, federal, state, local or otherwise), (d) "GROUP" shall have the meaning provided in Section 13(d) of the Exchange Act and the rules and regulations promulgated thereunder, but shall exclude any institutional underwriter purchasing voting securities of the Corporation in connection with an underwritten registered offering for purposes of a distribution of such securities and (e) "STOCKHOLDER DESIGNATED DIRECTOR" shall mean the individual or individuals of the Stockholder's choice that the Stockholder has the right to designate as a nominee for election to the Board pursuant to the terms of that certain Stockholders Agreement dated _____, 2005 by and among the Corporation and the Stockholder.

3.7 Source Designated Directors

Until the Minimum Holding Date, if any Source Designated Director is unable to fulfill his or her term in office, for whatever reason, either as a result of death, resignation, retirement or removal, a majority of the remaining Source Designated Directors, though less than a quorum, shall have the exclusive right to appoint the person to fill such vacancy and such person so appointed shall be deemed to be a Source Designated Director. Each director so chosen shall hold office until a successor is duly elected and qualified or until his or her earlier death, resignation, retirement or removal as herein provided.

3.8 Place of Meetings; Meetings by Telephone

(a) The Board may hold meetings, both regular and special, either within or outside the State of Delaware.

(b) Unless otherwise restricted by the Certificate or these bylaws, members of the Board, or any committee designated by the Board, may participate in a meeting of the Board, or any committee, by means of conference telephone or other communications equipment by means of which all persons participating in the meeting can hear each other, and such participation in a meeting shall constitute presence in person at the meeting.

3.9 Regular Meetings

Regular meetings of the Board may be held without notice at such time and at such place as shall from time to time be determined by the Board.

3.10 Special Meeting; Notice

Special meetings of the Board for any purpose or purposes may be called at any time by the chairperson of the Board, the chief executive officer, the president, the secretary or a majority of the Board then in office.

Notice of the time and place of special meetings shall be:

(a) delivered personally by hand, by courier or by telephone;

(b) sent by United States first-class mail, postage prepaid;

(c) sent by facsimile; or

(d) sent by electronic mail,

directed to each director at that director's address, telephone number, facsimile number or electronic mail address, as the case may be, as shown on the corporation's records.

If the notice is (i) delivered personally by hand, by courier or by telephone, (ii) sent by facsimile or (iii) sent by electronic mail, it shall be delivered or sent at least 12 hours before the time of the holding of the meeting. If the notice is sent by United States mail, it shall be deposited in the United States mail at least four days before the time of the holding of the meeting. Any oral notice may be communicated to the director. The notice need not specify the place of the meeting (if the meeting is to be held at the corporation's principal executive office) nor the purpose of the meeting.

3.11 Quorum; Voting

(a) At all meetings of the Board, a majority of authorized number of directors (as determined pursuant to these bylaws) shall constitute a quorum for the transaction of business. If a quorum shall not be present at any meeting of the board of directors, the directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum is present. A meeting at which quorum is initially present may continue to transact business notwithstanding the withdrawal of directors, if any action taken is approved by at least a majority of the directors present at that meeting.

(b) At all meetings of the Board, the vote of a majority of the directors present at the meeting at which there is a quorum shall be the act of the Board, except as may be otherwise specifically provided by the DGCL or pursuant to subsection (c) of this Section 3.11.

(c) Notwithstanding anything contained herein to the contrary, the following actions of the Corporation will require either the affirmative vote of at least seventy-five percent (75%) of the number of directors then in office or the unanimous written consent of the board of directors ("SUPERMAJORITY BOARD APPROVAL"): (i) an increase or decrease in the total authorized number of directors constituting the entire Board; (ii) approve a Change of Control of the Corporation (as defined below); or (iii) approve the amendment, alteration or

repeal of these bylaws. For purposes hereof, "CHANGE OF CONTROL" shall mean: (A) a reorganization or merger of the Corporation with or into any other entity which will result in the Corporation's shareholders immediately prior to such transaction not holding, as a result of such transaction, at least 50% of the voting power of the surviving or continuing entity or entity controlling the surviving or continuing entity or (B) a sale of all or substantially all of the assets of the Corporation which will result in the Corporation's shareholders immediately prior to such sale not holding, as a result of such sale, at least of 50% of the voting power of the purchasing entity."

3.12 Waiver of Notice

Whenever notice is required to be given under any provisions of the DGCL, the Certificate or these bylaws, a written waiver thereof, signed by the person entitled to notice, or a waiver by electronic transmission by the person entitled to notice, whether before or after the time stated therein, shall be deemed equivalent to notice. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends a meeting solely for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the directors, or members of a committee of directors, need be specified in any written waiver of notice or any waiver by electronic transmission unless so required by the DGCL, the Certificate or these bylaws.

3.13 Board Action by Written Consent without a Meeting

Unless otherwise restricted by the Certificate or these bylaws, any action required or permitted to be taken at any meeting of the Board, or of any committee thereof, may be taken without a meeting if all members of the Board or committee, as the case may be, consent thereto in writing or by electronic transmission and the writing or writings or electronic transmission or transmissions are filed with the minutes of proceedings of the Board or

committee. Such filing shall be in paper form if the minutes are maintained in paper form and shall be in electronic form if the minutes are maintained in electronic form.

3.14 Fees and Compensation of Directors

Unless otherwise restricted by the Certificate or these bylaws, the Board shall have the authority to fix the compensation of directors.

ARTICLE IV

COMMITTEES

4.1 Committees of Directors

The Board may from time to time designate one or more committees, each committee to consist of one or more of the directors of the Corporation. The Board may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of a member of a committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not such member or members constitute a quorum, may unanimously appoint another member of the Board to act at the meeting in the place of any such absent or disqualified member. Any such committee, to the extent provided in the resolution of the Board or in these bylaws, shall have and may exercise all the powers and authority of the Board in the management of the business and affairs of the Corporation, and may authorize the seal of the Corporation to be affixed to all papers that may require it; but no such committee shall have the power or authority to (a) approve or adopt, or recommend to the stockholders, any action or matter expressly required by the DGCL to be submitted to stockholders for approval, or (b) adopt, amend or repeal any bylaw of the Corporation. Each committee will comply with all applicable provisions of; the Sarbanes-Oxley Act of 2002, the rules and regulations of the Securities and Exchange Commission, and the rules and requirements of NASDAQ or NYSE, as applicable, and will have the right to retain independent legal counsel and other advisers at the corporation's expense.

4.2 Committee Minutes

Each committee shall keep regular minutes of its meetings and report the same to the Board when required.

4.3 Meetings and Action of Committees

Meetings and actions of committees shall be governed by, and held and taken in accordance with, the provisions of:

(a) Section 3.6 (place of meetings and meetings by telephone);

(b) Section 3.7 (regular meetings);

(c) Section 3.8 (special meetings and notice);

(d) Section 3.9 (quorum and voting);

(e) Section 3.10 (waiver of notice); and

(f) Section 3.11 (action without a meeting)

with such changes in the context of those bylaws as are necessary to substitute the committee and its members for the Board and its members. However:

(i) the time of regular meetings of committees may be determined either by resolution of the Board or by resolution of the committee;

(ii) special meetings of committees may also be called by resolution of the Board; and

(iii) notice of special meetings of committees shall also be given to all alternate members, who shall have the right to attend all meetings of the committee. The Board may adopt rules for the government of any committee not inconsistent with the provisions of these bylaws.

ARTICLE V

OFFICERS

5.1 Officers

The officers of the Corporation shall be a chief executive officer, a president (at the discretion of the Board), a chairman of the Board and a secretary. The Corporation may also have, at the discretion of the Board, a vice chairperson of the Board, a chief financial officer or treasurer, one or more vice presidents, one or more assistant vice presidents, one or more assistant treasurers, one or more assistant secretaries, and any such other officers as may be appointed in accordance with the provisions of these bylaws. Any number of offices may be held by the same person.

5.2 Appointment of Officers

The Board shall appoint the officers of the Corporation, except such officers as may be appointed in accordance with the provisions of Sections 5.3 and 5.5 of these bylaws, subject to the rights, if any, of an officer under any contract of employment. Each officer shall hold office until his or her successor is elected and qualified, unless a different term is specified in the vote appointing him, or until his or her earlier death, resignation or removal. A failure to elect officers shall not dissolve or otherwise affect the corporation.

5.3 Subordinate Officers

Each of the Board and the chief executive officer may appoint such other officers and agents as the business of the corporation may require. Each of such officers and agents shall hold office for such period, have such authority, and perform such duties as are provided in these bylaws or as the Board or the chief executive officer may from time to time determine.

5.4 Removal and Resignation of Officers

Any officer may be removed, either with or without cause, by an affirmative vote of the majority of the Board at any regular or special meeting of the Board

or, except in the case of an officer chosen by the Board, by any officer upon whom such power of removal may be conferred by the Board.

Any officer may resign at any time by giving written notice to the Corporation. Any resignation shall take effect at the date of the receipt of that notice or at any later time specified in that notice. Unless otherwise specified in the notice of resignation, the acceptance of the resignation shall not be necessary to make it effective. Any resignation is without prejudice to the rights, if any, of the Corporation under any contract to which the officer is a party.

5.5 Vacancies in Offices

Any vacancy occurring in any office of the Corporation shall be filled by the Board or as provided in Section 5.2.

5.6 Chairman of the Board

The chairman of the Board shall be a member of the Board and, if present, preside at meetings of the Board and exercise and perform such other powers and duties as may from time to time be assigned to him or her by the Board or as may be prescribed by these bylaws.

5.7 Chief Executive Officer

Subject to the control of the Board and any supervisory powers the Board may give to the chairman of the Board, the chief executive officer shall, together with the president of the corporation, have general supervision, direction, and control of the business and affairs of the Corporation and shall see that all orders and resolutions of the Board are carried into effect. The chief executive officer shall, together with the president of the Corporation, also perform all duties incidental to this office that may be required by law and all such other duties as are properly required of this office by the Board of Directors. The chief executive officer shall serve as chairman of and preside at all meetings of the stockholders. In the absence of the chairman of the Board, the chief executive officer shall preside at all meetings of the Board.

5.8 President

Subject to the control of the Board and any supervisory powers the Board may give to the chairman of the Board, the president of the Corporation shall, together with the chief executive officer, have general supervision, direction, and control of the business and affairs of the Corporation and shall see that all orders and resolutions of the Board are carried into effect. The president shall have such other powers and perform such other duties as from time to time may be prescribed for him or her by the Board, these bylaws, or the chairman of the Board.

5.9 Vice Presidents

in the absence or disability of the president, the vice presidents, if any, in order of their rank as fixed by the Board or, if not ranked, a vice president designated by the Board, shall perform all the duties of a president. When acting as a president, the appropriate vice president shall have all the powers of, and be subject to all the restrictions upon, that president. The vice presidents shall have such other powers and perform such other duties as from time to time may be prescribed for them respectively by the Board, these bylaws, the chairman of the Board, the chief executive officer or, in the absence of a chief executive officer, the president.

5.10 Secretary

The secretary shall keep or cause to be kept, at the principal executive office of the Corporation or such other place as the Board may direct, a book of minutes of all meetings and actions of directors, committees of directors, and stockholders. The minutes shall show:

(i) the time and place of each meeting;

(ii) whether regular or special (and, if special, how authorized and the notice given);

(iii) the names of those present at directors' meetings or committee meetings;

(iv) the number of shares present or represented at stockholders' meetings; and

(v) the proceedings thereof

The secretary shall keep, or cause to be kept, at the principal executive office of the corporation or at the office of the corporation's transfer agent or registrar, as determined by resolution of the Board, a share register, or a duplicate share register showing:

(i) the names of all stockholders and their addresses;

(ii) the number and classes of shares held by each;

(iii) the number and date of certificates evidencing such shares; and

(iv) the number and date of cancellation of every certificate surrendered for cancellation.

The secretary shall give, or cause to be given, notice of all meetings of the stockholders and of the Board required to be given by law or by these bylaws. The secretary shall keep the seal of the corporation, if one be adopted, in safe custody and shall have such other powers and perform such other duties as may be prescribed by the Board or by these bylaws.

5.11 Chief Financial Officer

The chief financial officer shall perform such duties and possess such powers as the Board or the chief executive officer may from time to time prescribe. The chief financial officer shall perform such duties and have such powers as are incident to the office of treasurer, including without limitation, the duty and power to keep and maintain, or cause to be kept and maintained, adequate and correct books and records of accounts of the properties and business transactions of the Corporation, including accounts of its assets, liabilities, receipts, disbursements, gains, losses, capital, retained earnings and shares.

The chief financial officer shall also have the duty and power to deposit all moneys and other valuables of the Corporation with such depositories as the Board may designate, to disburse such funds as ordered by the Board and to render to the Board or the chief executive officer (or, in the absence of a chief executive officer, any president), whenever they request it, an account of all his or her transactions as chief financial officer and of the financial condition of the Corporation.

Unless the board of directors or chief executive officer has designated another officer as the treasurer, the chief financial officer shall also be the treasurer of the Corporation.

5.12 Treasurer

The treasurer shall perform such duties and possess such powers as the Board or the chief executive officer may from time to time prescribe. The treasurer shall perform such duties and have such powers as are incident to the office of treasurer, including, without limitation, the duty and power to keep and be responsible for all funds and securities of the Corporation, to deposit all moneys and other valuables of the Corporation with depositories as the Board may designate, to disburse such funds as ordered by the Board, to make proper accounts of such funds and to render as required by the Board statements of all such transactions and of the financial condition of the Corporation.

5.13 Assistant Secretary

The assistant secretary, or, if there is more than one, the assistant secretaries in the order determined by the Board (or if there be no such determination, then in the order of their election) shall, in the absence of the secretary or in the event of the secretary's inability or refusal to act, perform the duties and exercise the powers of the secretary and shall perform such other duties and have such other powers as may be prescribed by the Board or these bylaws.

5.14 Assistant Treasurer

The assistant treasurer, or, if there is more than one, the assistant treasurers, in the order determined by the Board (or if there be no such determination, then in the order of their election), shall, in the absence of the chief financial officer or treasurer or in the event of the chief financial officer's or treasurer's inability or refusal to act, perform the duties and exercise the powers of the chief financial officer or treasurer, as applicable, and shall perform such other duties and have such other powers as may be prescribed by the Board or these bylaws.

5.15 Representation of Shares of Other Corporation

The chairperson of the Board, the president, any vice president, the treasurer, the secretary or assistant secretary of this Corporation, or any other person authorized by the Board or the president or a vice president, is authorized to vote, represent, and exercise on behalf of this Corporation all rights incident to any and all shares of any other corporation or corporations standing in the name of this Corporation. The authority granted herein may be exercised either by such person directly or by any other person authorized to do so by proxy or power of attorney duly executed by such person having the authority.

5.16 Authority and Duties of Officers

All officers of the Corporation shall respectively have such authority and perform such duties in the management of the business of the Corporation as may be designated from time to time by the Board or the stockholders and, to the extent not so provided, as generally pertain to their respective offices, subject to the control of the Board.

ARTICLE VI

RECORDS AND REPORTS

6.1 Maintenance and Inspection of Records

The Corporation shall, either at its principal executive office or at such place or places as designated by the Board, keep a record of its stockholders listing their names and addresses and the number and class of shares held by each stockholder, a copy of these bylaws as amended to date, minute books, accounting books, and other records.

Any such records maintained by the Corporation may be kept on, or by means of, or be in the form of, any information storage device or method, provided that the records so kept can be converted into clearly legible paper form within a reasonable time. The Corporation shall so convert any records so kept upon the

request of any person entitled to inspect such records pursuant to the provisions of the DGCL. When records are kept in such manner, a clearly legible paper form produced from or by means of the information storage device or method shall be admissible in evidence, and accepted for all other purposes, to the same extent as an original paper form accurately portrays the record.

Any stockholder of record, in person or by attorney or other agent, shall, upon written demand under oath stating the purpose thereof, have the right during the usual hours for business to inspect for any proper purpose the Corporation's stock ledger, a list of its stockholders, and its other books and records and to make copies or extracts therefrom. A proper purpose shall mean a purpose reasonably related to such person's interest as a stockholder. In every instance where an attorney or other agent is the person who seeks the right to inspection, the demand under oath shall be accompanied by a power of attorney or such other writing that authorizes the attorney or other agent so to act on behalf of the stockholder. The demand under oath shall be directed to the Corporation at its registered office in Delaware or at its principal executive office.

6.2 Inspection by Directors

Any director shall have the right to examine the Corporation's stock ledger, a list of its stockholders, and its other books and records for a purpose reasonably related to his or her position as a director. The Court of Chancery is hereby vested with the exclusive jurisdiction to determine whether a director is entitled to the inspection sought. The Court may summarily order the Corporation to permit the director to inspect any and all books and records, the stock ledger, and the stock list and to make copies or extracts therefrom. The Court may, in its discretion, prescribe any limitations or conditions with reference to the inspection, or award such other and further relief as the Court may deem just and proper.

ARTICLE VII

GENERAL MATTERS

7.1 Checks, Drafts; Evidences of Indebtedness

From time to time, the Board shall determine by resolution which person or persons may sign or endorse all checks, drafts, other orders for payment of money, notes or other evidences of indebtedness that are issued in the name of or payable to the Corporation, and only the persons so authorized shall sign or endorse those instruments.

7.2 Execution of Corporate Contracts and Instruments

The Board, except as otherwise provided in these bylaws, may authorize any

officer or officers, or agent or agents, to enter into any contract or execute any instrument in the name of and on behalf of the Corporation; such authority may be general or confined to specific instances.

7.3 Stock Certificates, Partly Paid Shares

The shares of the Corporation shall be represented by certificates, provided that the Board may provide by resolution or resolutions that some or all of any or all classes or series of its stock shall be uncertificated shares. Any such resolution shall not apply to shares represented by a certificate until such certificate is surrendered to the Corporation. Notwithstanding the adoption of such a resolution by the Board, every holder of stock represented by certificates and upon request every holder of uncertificated shares shall be entitled to have a certificate signed by, or in the name of the Corporation by the chairperson or vice-chairperson of the Board, or the president or vice-president, and by the treasurer or an assistant treasurer, or the secretary or an assistant secretary of such Corporation representing the number of shares registered in certificate form. Any or all of the signatures on the certificate may be a facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate has ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if he were such officer, transfer agent or registrar at the date of issue.

The Corporation may issue the whole or any part of its shares as partly paid and subject to call for the remainder of the consideration to be paid therefor. Upon the face or back of each stock certificate issued to represent any such partly paid shares, upon the books and records of the Corporation in the case of uncertificated partly paid shares, the total amount of the consideration to be paid therefor and the amount paid thereon shall be stated. Upon the declaration of any dividend on fully paid shares, the Corporation shall declare a dividend upon partly paid shares of the same class, but only upon the basis of the percentage of the consideration actually paid thereon.

7.4 Special Designation on Certificates

If the Corporation is authorized to issue more than one class of stock or more than one series of any class, then the powers, the designations, the preferences, and the relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights shall be set forth in full or summarized on the face or back of the certificate that the Corporation shall issue to represent such class or series of stock; provided, however, that, except as otherwise provided in Section 202 of the DGCL, in lieu of the foregoing requirements there may be set forth on the face or back of the certificate that the Corporation shall issue to represent such class or series of stock a statement that the Corporation will furnish without charge to each stockholder who so requests the powers, the designations, the preferences, and the relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights.

7.5 Lost Certificates

Except as provided in this Section 7.5, no new certificates for shares shall be issued to replace a previously issued certificate unless the latter is surrendered to the corporation and cancelled at the same time. The Corporation may issue a new certificate of stock or uncertificated shares in the place of any certificate theretofore issued by it,

alleged to have been lost, stolen or destroyed, and the Corporation may require the owner of the lost, stolen or destroyed certificate, or such owner's legal representative, to give the corporation a bond sufficient to indemnify it against any claim that may be made against it on account of the alleged loss, theft or destruction of any such certificate or the issuance of such new certificate or uncertificated shares.

7.6 Construction; Definitions

Unless the context requires otherwise, the general provisions, rules of construction, and definitions in the DGCL shall govern the construction of these bylaws. Without limiting the generality of this provision, the singular number includes the plural, the plural number includes the singular, and the term "person" includes both a corporation and a natural person.

7.7 Dividends

The Board, subject to any restrictions contained in either (a) the DGCL, or (b) the Certificate, may declare and pay dividends upon the shares of its capital stock. Dividends may be paid in cash, in property, or in shares of the Corporation's capital stock.

The Board may set apart out of any of the funds of the Corporation available for dividends a reserve or reserves for any proper purpose and may abolish any such reserve. Such purposes shall include but not be limited to equalizing dividends, repairing or maintaining any property of the Corporation, and meeting contingencies.

7.8 Fiscal Year

The fiscal year of the corporation shall be fixed by resolution of the Board and may be changed by the Board.

7.9 Seal

The Corporation may adopt a corporate seal, which shall be adopted and which may be altered by the Board. The Corporation may use the corporate seal by causing it or a facsimile thereof to be impressed or affixed or in any other manner reproduced.

7.10 Transfer of Stock

Upon surrender to the Corporation or the transfer agent of the Corporation of a certificate for shares duly endorsed or accompanied by proper evidence of succession, assignation or authority to transfer, it shall be the duty of the Corporation to issue a new certificate to the person entitled thereto, cancel the old certificate, and record the transaction in its books.

7.11 Stock Transfer Agreements

The Corporation shall have power to enter into and perform any agreement with any number of stockholders of any one or more classes of stock of the Corporation to restrict the transfer of shares of stock of the Corporation of any one or more classes owned by such stockholders in any manner not prohibited by the DGCL.

7.12 Registered Stockholders

The Corporation:

(a) shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends and to vote as such owner,

(b) shall be entitled to hold liable for calls and assessments the person registered on its books as the owner of shares; and

(c) shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of another person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of Delaware.

7.13 Waiver of Notice

Whenever notice is required to be given under any provision of the DGCL, the Certificate or these bylaws, a written waiver, signed by the person entitled to notice, or a waiver by electronic transmission by the person entitled to notice, whether before or after the time of the event for which notice is to be given, shall be deemed equivalent to notice. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends a meeting for the express purpose of objecting at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the stockholders need be specified in any written waiver of notice or any waiver by electronic transmission unless so required by the DGCL, Certificate or these bylaws.

ARTICLE VIII

NOTICE BY ELECTRONIC TRANSMISSION

8.1 Notice by Electronic Transmission

Without limiting the manner by which notice otherwise may be given effectively to stockholders pursuant to the DGCL, the Certificate or these bylaws, any notice to stockholders given by the Corporation under any provision of the DGCL, the Certificate or these bylaws shall be effective if given by a form of electronic transmission consented to by the stockholder to whom the notice is given. Any such consent shall be revocable by the stockholder by written notice to the Corporation. Any such consent shall be deemed revoked if-

(a) the Corporation is unable to deliver by electronic transmission two consecutive notices given by the Corporation in accordance with such consent; and

(b) such inability becomes known to the secretary or an assistant secretary of the Corporation or to the transfer agent, or other person responsible for the giving of notice.

However, the inadvertent failure to treat such inability as a revocation shall not invalidate any meeting or other action.

Any notice given pursuant to the preceding paragraph shall be deemed given:

(i) if by facsimile telecommunication, when directed to a number at which the stockholder has consented to receive notice;

(ii) if by electronic mail, when directed to an electronic mail address at which the stockholder has consented to receive notice;

(iii) if by a posting on an electronic network together with separate notice to the stockholder of such specific posting, upon the later of (A) such posting and (B) the giving of such separate notice; and

(iv) if by any other form of electronic transmission, when directed to the stockholder.

An affidavit of the secretary or an assistant secretary or of the transfer agent or other agent of the corporation that the notice has been given by a form of electronic transmission shall, in the absence of fraud, be prima facie evidence of the facts stated therein.

8.2 Definition of Electronic Transmission

An "electronic transmission" means any form of communication, not directly involving the physical transmission of paper, that creates a record that may be retained, retrieved, and reviewed by a recipient thereof, and that may be directly reproduced in paper form by such a recipient through an automated process.

8.3 Inapplicability

Notice by a form of electronic transmission shall not apply to Sections 164, 296, 311, 312 or 324 of the DGCL.

ARTICLE IX

INDEMNIFICATION

9.1 Right of Indemnification

Each person who was or is made a party or is threatened to be made a party to or is involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative ("proceeding"), by reason of the fact that he or she or a person of whom he or she is the legal representative, is or was a director or officer of the Corporation or is or was serving at the request of the Corporation as a director or officer, employee or agent of another corporation, or as a controlling person of a partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, whether the basis of such proceeding is alleged action in an official capacity as a director or officer, or in any other capacity while serving as a director or officer, shall be indemnified and held harmless by the Corporation to the fullest extent authorized by the DGCL, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than said law permitted the Corporation to provide prior to such amendment) against all expenses (including attorneys' fees), liability and loss actually and reasonably incurred or suffered by such person in connection therewith and such indemnification shall continue as to a person who has ceased to be a director or officer and shall inure to the benefit of his or her heirs, executors and administrators; provided, however, that except as provided in Section 9.2 of this Article IX, the Corporation shall indemnify any such person seeking indemnity in connection with a proceeding (or part thereof) initiated by such person only if (a) such indemnification is expressly required to be made by law, (b) the proceeding (or part thereof) was authorized by the Board, (c) such indemnification is provided by the corporation, in its sole discretion, pursuant to the powers vested in the Corporation under the DGCL, or (d) the proceeding (or part thereof) is brought to establish or enforce a right to indemnification under an indemnity agreement or any other statute or law or otherwise as required under Section 145 of the DGCL. The rights hereunder shall be contract rights and shall include the right to be paid expenses incurred in defending any such proceeding in advance of its final disposition.

9.2 Right of Claimant to Bring Suit

If a claim under Section 9.1 is not paid in full by the Corporation within ninety (90) days after a written claim has been received by the Corporation, the claimant may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim and, if such suit is not frivolous or brought in bad faith, the claimant shall be entitled to be paid also the expense of prosecuting such claim. It shall be a defense to any such action (other than an action brought to enforce a claim for expenses incurred in defending any proceeding in advance of its final disposition where the required undertaking, if any, has been tendered to this corporation) that the claimant has not met the standards of conduct which make it permissible under the DGCL for the Corporation to indemnify the claimant for the amount claimed. Neither the failure of the Corporation (including its Board of Directors, independent legal counsel, or its stockholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because he or she has met the applicable standard of conduct set forth in the DGCL, nor an actual determination by the Corporation (including its Board, independent legal counsel or its stockholders) that the claimant has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that claimant has not met the applicable standard of conduct.

9.3 Expenses Payable in Advance

To the fullest extent not prohibited by the DGCL, or by any other applicable law, expenses incurred by a person who is or was a director or officer in defending any civil, criminal, administrative or investigative action, suit or proceeding shall be paid by the Corporation in advance of the final disposition of such action, suit or proceeding; provided, however, that if the DGCL requires, an advance of expenses incurred by any person in his or her capacity as a director or officer (and not in any other capacity) shall be made only upon receipt of an undertaking by or on behalf of such person to repay such amount if it shall ultimately be determined that such person is not entitled to be indemnified by the corporation as authorized in this Article IX.

9.4 Nonexclusivity of Indemnification and Advancement of Expenses

The indemnification and advancement of expenses provided by or granted pursuant to this Article IX shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under the Certificate, any bylaw, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in such person's official capacity and as to action in another capacity while holding such office, it being the policy of the Corporation that indemnification of the persons specified in Sections 9.1 and 9.2 of this Article IX shall be made to the fullest extent permitted by law. The provisions of this Article IX shall not be deemed to preclude the indemnification of any person who is not specified in Section 9.1 or 9.2 of this Article IX.

9.5 Insurance

To the fullest extent permitted by the DGCL or any other applicable law, the Corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Corporation, or is or was a director, officer, employee or agent of the Corporation serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise against any liability asserted against such person and incurred by such person in any such capacity, or arising out of such person's status as such, whether or not the Corporation would have the power or the obligation to indemnify such person against such liability under the provisions of this Article IX.

9.6 Certain Definitions

For purposes of this Article IX, references to "the Corporation" shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors or officers, so that any person who is or was a director or officer of such constituent corporation, or is or was a director or officer of such constituent corporation serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, shall stand in the same position under the provisions of this Article IX with respect to the resulting or surviving corporation as such person would have with respect to such constituent corporation if its separate existence had continued. For purposes of this Article IX, references to "fines" shall include any excise taxes assessed on a person with respect to an employee benefit plan; and references to "serving at the request of the Corporation" shall include any service as a director, officer, employee or agent of the Corporation which imposes duties on, or involves services by, such director or officer with respect to an employee benefit plan, its participants or beneficiaries; and a person who acted in good faith and in a manner such person reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "not opposed to the best interests of the Corporation" as referred to in this Article IX

9.7 Survival of Indemnification and Advancement of Expenses

The rights to indemnification and advancement of expenses conferred by this Article IX shall continue as to a person who has ceased to be a director or officer and shall inure to the benefit of the heirs, executors, administrators and other personal and legal representatives of such a person.

9.8 Limitation on Indemnification

Notwithstanding anything contained in this Article IX to the contrary, except for proceedings to enforce rights to indemnification (which shall be governed by Section 9.2 hereof), the Corporation shall not be obligated to indemnify any director or officer in connection with a proceeding (or part thereof) initiated by such person unless such proceeding (or part thereof) was authorized or consented to by the Board.

9.9 Indemnification of Employees and Agents

The Corporation may, to the extent authorized from time to time by the Board, provide rights to indemnification and to the advancement of expenses to employees and agents of the Corporation similar to those conferred in this Article IX to directors and officers of the Corporation.

9.10 Effect of Amendment or Repeal

Neither any amendment or repeal of any Section of this Article IX, nor the adoption of any provision of the Certificate or the bylaws inconsistent with this Article IX, shall adversely affect any right or protection of any director, officer, employee or other agent established pursuant to this Article IX existing at the time of such amendment, repeal or adoption of an inconsistent provision, including without limitation by eliminating or reducing the effect of this Article IX, for or in respect of any act, omission or other matter occurring, or any action or proceeding accruing or arising (or that, but for this Article IX, would accrue or arise), prior to such amendment, repeal or adoption of an inconsistent provision.

ARTICLE X

AMENDMENTS

Subject to Section 9.10 hereof, and except as otherwise provided in the Certificate, these Bylaws may be amended or repealed (a) at any annual or special meeting of stockholders, by the affirmative vote of the holders of a majority of the voting power of the stock issued and outstanding and entitled to vote thereat; provided, however, that in the case of any such stockholder action at a special meeting of stockholders, notice of the proposed alteration, repeal or adoption of the new Bylaws or portion thereof must be contained in the notice of such special meeting; and provided further that the affirmative vote of sixty-six and two-thirds percent (66 1/3%) of the then outstanding voting securities of the corporation, voting together as a single class, shall be required for the amendment, repeal or modification of the provisions of 2.3 (Special Meeting), 2.14 (Advance Notice of Stockholder Business), 2.15 (Advance Notice of Director Nominees), or 3.2 (Number of Directors) of these Bylaws; or (b) by the affirmative vote of no fewer than a majority of the authorized number of directors. The fact that the power to amend these Bylaws has been so conferred upon the directors shall not divest the stockholders of the power, nor limit their power to adopt, amend or repeal bylaws.

EXHIBIT 4.1

NUMBERS

COMMON STOCK

[LOGO]

SOURCE INTERLINK COMPANIES

INCORPORATED UNDER THE LAWS OF THE STATE OF DELAWARE

THIS CERTIFICATE IS TRANSFERABLE IN NEW YORK, N.Y. AND RIDGEFIELD PARK, N.J.

SHARES

SEE REVERSE FOR CERTAIN DEFINITIONS

CUSIP 836151 20 9

This certifies that

is the owner of FULLY PAID AND NON-ASSESSABLE SHARES OF COMMON STOCK, PAR VALUE $.01 PER SHARE, OF SOURCE INTERLINK COMPANIES, INC. transferable on the books of the Corporation by the owner in person or by duly authorized attorney upon surrender of this certificate properly endorsed. This certificate and the shares represented hereby are issued and shall be held subject to all the provisions of the Certificate of Incorporation and Bylaws of the Corporation and all amendments thereto (copies of which are on file with the Transfer Agent), to all of which the holder by acceptance hereof, assents. This certificate is not valid unless countersigned by the Transfer Agent and registered by the Registrar.

In Witness Whereof, the Corporation has caused this certificate to be signed by its duly authorized officers, and its corporate seal to be hereunto affixed.

Dated:

/S/
SECRETARY

[SEAL]

/S/
CHAIRMAN AND CHIEF EXECUTIVE OFFICER

COUNTERSIGNED AND REGISTERED:

MELLON INVESTOR SERVICES LLC

TRANSFER AGENT AND REGISTRAR

BY

AUTHORIZED SIGNATURE

[REVERSE OF CERTIFICATE]

SOURCE INTERLINK COMPANIES, INC.

The following abbreviations, when used in the inscription on the face of this certificate, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM -- as tenants in common

TEN ENT -- as tenants by the entireties

JT TEN -- as joint tenants with right of survivorship and not as tenants in common

TOD -- transfer on death direction in event of owner's death, to person named on face

UNIF GIFT MIN ACT -- as Custodian for
(Cust) (Minor)

under Uniform Gifts to Minors Act
(State)

UNIF TRAN MIN ACT -- as Custodian for
(Cust) (Minor)

under Uniform Transfers to Minors Act
(State)

Additional abbreviations may also be used though not in the above list.

For Value Received, hereby sell, assign and transfer unto

PLEASE INSERT SOCIAL SECURITY OR OTHER IDENTIFYING NUMBER OF ASSIGNEE

(PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS, INCLUDING ZIP CODE OF ASSIGNEE)

shares of the common stock represented by the within Certificate, and do hereby

irrevocably constitute and appoint

Attorney to transfer the said stock on the books of the within named Corporation with full power of substitution in the premises.

Dated

NOTICE: The signature(s) to this assignment must correspond with the name(s) as written upon the face of this Certificate in every particular, without alteration or enlargement or any change whatever.

Signature(s) Guaranteed:

THE SIGNATURE(S) SHOULD BE GUARANTEED BY AN ELIGIBLE GUARANTOR INSTITUTION (BANKS, STOCKBROKERS, SAVINGS AND LOAN ASSOCIATIONS AND CREDIT UNIONS WITH MEMBERSHIP IN AN APPROVED SIGNATURE GUARANTEE MEDALLION PROGRAM), PURSUANT TO S.E.C. RULE 17Ad-15.

Keep this certificate in a safe place. If it is lost, stolen or destroyed the Corporation may require a bond of indemnity as a condition to the issuance of a replacement certificate.

EXHIBIT 4.4

STOCKHOLDER'S AGREEMENT

This STOCKHOLDER'S AGREEMENT, dated as of February 28, 2005 (this "AGREEMENT"), is made and entered into by and among Source Interlink Companies, Inc., a Missouri corporation ("SOURCE") and AEC Associates, L.L.C., a Delaware limited liability company ("AEC ASSOCIATES" or "STOCKHOLDER").

RECITALS

A. Concurrently with the execution of this Agreement, Source, Alligator Acquisition, LLC, a Delaware limited liability company whose sole member is Source ("MERGER SUB"), and Alliance Entertainment Corp., a Delaware corporation (the "COMPANY"), have entered into an Agreement and Plan of Merger (the "MERGER Agreement"), which provides for the merger (the "MERGER") of the Company with and into Merger Sub.

B. Pursuant to the Merger, among other things, all of the issued and outstanding shares of capital stock of the Company ("COMPANY CAPITAL STOCK") will be converted into the right to receive shares of the common stock, par value $0.01 per share, of Source ("SOURCE COMMON STOCK"), all upon the terms and subject to the conditions set forth in the Merger Agreement.

C. Pursuant to the Merger, Stockholder will receive, as consideration for the Merger, 17,685,568 shares of Source Common Stock ("CONSIDERATION SHARES"), upon the terms and subject to the conditions set forth in the Merger Agreement.

NOW, THEREFORE, in consideration of the premises and the representations, warranties, covenants and agreements contained herein, the parties hereto, intending to be legally bound, hereby agree as follows:

ARTICLE 1

DEFINITIONS

1.1 Certain Definitions. As used in this Agreement:

(a) "AFFILIATE" or "AFFILIATE" shall have the meaning provided in Rule 144(a)(1) under the Securities Act.

(b) "BOARD" means the Board of Directors of Source.

(c) "BENEFICIAL OWNERSHIP" or "BENEFICIAL OWNER" and similar variations have the meaning provided in Rule 13d-3 under the Exchange Act. References to ownership of Voting Securities hereunder mean record or beneficial ownership.

(d) "BUSINESS" means the business of distribution and fulfillment of

prepackaged, physical VHS, CDs or DVDs containing audio or video files or other prepackaged, physical product containing audio or video files, provided, however the foregoing shall not include videogames.

(e) "BUSINESS DAY" means any day except a Saturday, Sunday or other day on which commercial banks in New York are authorized by law to close.

(f) "CLOSING" means the date of the consummation of the Merger.

(g) "COMPANY" has the meaning set forth in the recitals hereto.

(h) "COMPANY CAPITAL STOCK" has the meaning set forth in the recitals hereto.

(i) "CONSIDERATION SHARES" has the meaning set forth in the recitals hereto.

(j) "DEMAND MANAGING UNDERWRITER" has the meaning set forth in Section 4.2(c).

(k) "DEMAND MARKET CUT-BACK" has the meaning set forth in Section 4.2(d).

(l) "DEMAND REGISTRABLE SECURITIES" has the meaning set forth in Section 4.1(a).

(m) "DEMAND REGISTRATION STATEMENT" has the meaning set forth in Section 4.1(a).

(n) "DEMAND REQUEST" has the meaning set forth in Section 4.1(a).

(o) A Person shall be deemed to have effected a "DISPOSITION" of a security if such Person, directly or indirectly, (i) offers to sell, contracts to sell, makes any short sale of, or otherwise sells, disposes of, distributes, loans, gifts, pledges, assigns, encumbers or grants any options or rights with respect to, such security or any interest therein or any security convertible into or exchangeable or exercisable for any such security, (ii) enters into any swap, hedge or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of such security, or (iii) enters into any agreement or understanding with respect to the foregoing.

(p) "EXCHANGE ACT" means the United States Securities Exchange Act of 1934, as amended.

(q) "GROUP" or "GROUP" shall have the meaning provided in Section 13(d) of the Exchange Act and the rules and regulations promulgated thereunder, but shall exclude any institutional underwriter purchasing Voting Securities in connection with an underwritten registered offering for purposes of a distribution of such securities.

(r) "INDEMNIFIED PARTY" has the meaning set forth in Section 4.5(c).

(s) "INDEMNIFYING PARTY" has the meaning set forth in Section 4.5(c).

(t) "INITIAL LOCK-UP PERIOD" means the period ending at 12:01 a.m. (New York City time) on the three-month anniversary following the Closing.

(u) "LEGENDED SECURITIES" has the meaning set forth in Section 3.2.

(v) "LOCK-UP EXCEPTIONS" has the meaning set forth in Section 3.1(a).

(w) "MERGER" has the meaning set forth in the recitals hereto.

(x) "MERGER AGREEMENT" has the meaning set forth in the recitals hereto.

(y) "MERGER SUB" has the meaning set forth in the recitals hereto.

(z) "MINIMUM HOLDING DATE" has the meaning set forth in Section 2.3 hereto.

(aa) "PERSON" shall mean any Person, individual, corporation, partnership, trust, limited liability company or other non-governmental entity or any governmental agency, court, authority or other body (whether foreign, federal, state, local or otherwise).

(bb) "PIGGYBACK REGISTRABLE SECURITIES" has the meaning set forth in Section 4.2(a).

(cc) "PIGGYBACK REGISTRATION STATEMENT" has the meaning set forth in Section 4.2(a).

(dd) "PIGGYBACK REQUEST" has the meaning set forth in Section 4.2(a).

(ee) "PIGGYBACK UNDERWRITING AGREEMENT" has the meaning set forth in Section 4.2(b).

(ff) "PUBLIC OFFERING LOCK-UP" has the meaning set forth in Section 4.8.

(gg) "REGISTER," "REGISTERED" and "REGISTRATION" refer to a registration effected by preparing and filing a registration statement in compliance with the Securities Act, and the declaration or ordering of the effectiveness of such registration statement.

(hh) "REGISTRABLE SECURITIES" means (i) the Consideration Shares and (ii) any securities issued in respect of the foregoing as a result of any stock split, stock dividend, recapitalization, or similar transaction.

(ii) "SCHEDULE 13D" means, with respect to Stockholder, that certain Schedule 13D under the Exchange Act required to be filed with respect to such Stockholder's ownership, beneficially or of record, of Source Securities.

(jj) "SEC" means the United States Securities and Exchange Commission or any other United States federal agency administering the Securities Act.

(kk) "SECURITIES ACT" means the United States Securities Act of 1933, as amended.

(ll) "SOURCE" has the meaning set forth in the preamble hereto.

(mm) "SOURCE COMMON STOCK" has the meaning set forth in the recitals hereto.

(nn) "SOURCE SECURITIES" means any shares of capital stock of Source, including without limitation Source Common Stock, and any options, warrants, convertible securities or other rights to acquire any shares of capital stock of Source or securities or instruments exchangeable or exercisable for, or convertible into, shares of capital stock of Source.

(oo) "STOCKHOLDER" has the meaning set forth in the preamble hereto.

(pp) "STOCKHOLDER GROUP MEMBER" shall mean AEC Associates, L.L.C. and those of its Affiliates and members and Persons who file Schedule 13Ds or Schedule 13Gs pursuant to the Exchange Act as a Group with Stockholder.

(qq) "SUPERMAJORITY BOARD APPROVAL" means (i) the approval of at least 75% of the total number of members of the Board or (ii) the unanimous written consent of the Board.

(rr) "SUSPENSION CONDITION" has the meaning set forth in Section 4.3(f).

(ss) "SUSPENSION PERIOD" has the meaning set forth in Section 4.3(f).

(tt) "VOTING SECURITIES" means any securities of Source entitled, in the ordinary course, to vote in the election of directors of Source, and any options, warrants, convertible securities or other rights to acquire any securities of Source or securities or instruments exchangeable or exercisable for, or convertible into, securities of Source; provided that Voting Securities shall not include stockholder rights or other comparable securities that acquire

such voting rights only upon the happening of a trigger event or comparable contingency and which can only be transferred together with the securities to which they attach. References herein to meetings of holders of Voting Securities shall include meetings of any class or type thereof.

All capitalized terms used and not defined herein shall have the respective meanings assigned to such terms in the Merger Agreement.

ARTICLE 2

VOTING AND RELATED COVENANTS

2.1 Board Composition. At the Effective Time, the Board will be comprised of eleven directors, to consist of six members of the Board designated by Source (including the current Chairman and Chief Executive Officer of Source, S. Leslie Flegel and one other director, Ariel Emanuel) before the mailing of the Proxy Statement/Prospectus, three of whom must be "independent" under the rules of the NASD and the SEC with respect to Source (the "SOURCE DESIGNATED DIRECTORS") and five individuals designated by the Company (three of whom must be "independent" under the rules of the NASD and the SEC with respect to Source) before the mailing of the Proxy Statement/Prospectus (the "COMPANY DESIGNATED DIRECTORS"). Such directors shall be initially appointed as follows: (A) three Company Designated Directors to the class whose term expires at the 2005 annual meeting of Source shareholders, (B) one Company

Designated Director and three Source Designated Directors to the class whose term expires at the 2006 annual meeting of Source shareholders and (C) one Company Designated Director and three Source Designated Directors to the class whose term expires at the 2007 annual meeting of Source shareholders. If any Source Designated Director or Company Designated Director shall be unable or unwilling to serve as a director at the Effective Time, the party that designated such individual as indicated above shall designate another individual to serve in such individual's place.

2.2 Committees. As soon as reasonably practicable following the Effective Time, the Board will take all actions necessary to cause the membership of each its standing committees (i) to include one Company Designated Director and (ii) to be comprised of a majority of Source Designated Directors, each to the extent that such individual's membership on a given committee is permitted by the applicable rules and regulations of the SEC and NASDAQ.

2.3 Bylaws. The Board shall amend its Bylaws effective at the Effective Time, to, among other things, (i) provide that the Board shall consist of between three (3) and eleven (11) directors, with the exact number to be specified by resolution approved by Supermajority Board Approval; (ii) provide that the consummation of a Change of Control (as defined in Article XI of the

Merger Agreement) or any further amendment to the Bylaws shall require Supermajority Board Approval; (iii) until the date on which Stockholder and the Stockholder Group Members own less than 10% in the aggregate of the outstanding Source Common Stock (the "MINIMUM HOLDING DATE"), provided that if any Company Designated Director (as defined below) or Stockholder Designated Director is unable to fulfill his or her term in office, for whatever reason, either as a result of death, resignation, retirement or removal, then the remaining Company Designated Directors and the Stockholder Designated Directors shall have the exclusive right to designate an individual to fill such vacancy; and (iv) until the Minimum Holding Date, provide that if any Source Designated Director is unable to fulfill his or her term in office, for whatever reason, either as a result of death, resignation, retirement or removal, then the remaining Source Designated Directors shall have the exclusive right to designate an individual to fill such vacancy (the "BYLAWS AMENDMENT").

2.4 Right to Designate Certain Directors. Until the Minimum Holding Date, at every annual or special meeting of Source shareholders at which any directors are to be elected and at every adjournment or postponement thereof, and every action of approval by written consent of stockholders of Source with respect to such meeting, Stockholder shall have the right to designate an individual or individuals of its choice as a nominee for election to the Board (the "STOCKHOLDER DESIGNATED DIRECTOR(S)") for any seat that was last occupied or vacated by a Company Designated Director or a Stockholder Designated Director; provided, however, that Stockholder shall not have a right to designate any additional individual pursuant to this Section 2.4 if the effect of which would result in the Stockholder Designated Directors constituting a percentage representation on the Board exceeding the percentage ownership in the aggregate of Stockholder and the Stockholder Group Members of then outstanding Source Common Stock. Source and Stockholder agree that Stockholder will exercise its designation rights for the 2005 annual meeting of Source shareholders to designate three individuals for election at that meeting. Source agrees that it will not place any other nominees on the ballot for the 2005 annual meeting of Source shareholders for election as a director unless required by law.

2.5 Committees. On and after the 2005 annual meeting of Source shareholders and until the first annual meeting of Source shareholders after the Minimum Holding Date, the Board will take all actions necessary to cause the membership of each its standing committees (i) to include at least one Company Designated Director or Stockholder Designated Director, and (ii) to be comprised of a majority of Source Designated Directors, each to the extent that such individual's membership on a given committee is permitted by the applicable rules and regulations of the SEC and NASDAQ and consented to by the individual.

2.6 Independence. To the extent that a Company Designated Director or Stockholder Designated Director is an "independent" director or otherwise fills a requirement by virtue of his or her credentials that is required by the SEC or

NASDAQ and is unable to fulfill his or her term in office, for whatever reason, either as a result of death, resignation, retirement or removal, then any replacement or successor to such director's seat shall also have the credentials required to qualify as "independent" or fill such other requirement.

2.7 Voting. Without Supermajority Board Approval:

(a) Until the date immediately following the 2007 annual meeting of Source shareholders at which directors are elected (the "2007 ANNUAL MEETING") and provided that Source and the Board have complied with the agreements set forth in Section 2.1 hereof, (i) Stockholder shall take such action as may be required so that all Voting Securities beneficially owned by Stockholder from time to time are voted in favor of electing such nominees for the Board as the Board (or the nominating and corporate governance committee of the Board if such authority has been delegated to such committee) may recommend; (ii) Stockholder, as a holder of Voting Securities, shall be present, in Person or by proxy, at all meetings of the stockholders of Source at which any directors are to be elected so that all Voting Securities beneficially owned by Stockholder from time to time may be counted for the purposes of determining the presence of a quorum at such meetings; and (iii) except as permitted in Section 2.1 with regard to the right to designate individuals to fill positions occupied, or intended to be occupied, by certain Company Designated Directors, Stockholder shall not take any action, directly or indirectly, intended to remove or that will result in removing any director from the Board.

(b) The foregoing provisions shall also apply to the execution by Stockholder of any written consent in lieu of a meeting of holders of Voting Securities to the extent permitted by the Bylaws of Source.

2.8 Source agrees to take all reasonable actions (including to the extent necessary, calling a special meeting of the Board) in order to ensure that the composition of the Board is as set forth in Section 2.1 and 2.2 and to ensure that Stockholder is able to exercise the rights set forth in this Article II; provided however, the Board shall not be required to take action to overturn any action duly taken by the shareholders of Source.

ARTICLE 3

RESTRICTIONS ON TRANSFER OF SECURITIES;

COMPLIANCE WITH SECURITIES LAWS

3.1 Restrictions on Transfer.

(a) During the Initial Lock-Up Period, Stockholder covenants and agrees that it shall not effect any Disposition with respect to any

Consideration Shares, subject to the following exceptions for Dispositions (the "LOCK-UP EXCEPTIONS"):

(i) to any Person or group approved in writing in advance by Supermajority Board Approval;

(ii) to any Stockholder Group Members, subject to Section 3.1(d) below; and

(iii) in response to a tender offer or exchange offer made by Source or recommended by the Board, or pursuant to a merger, consolidation or other business combination involving Source approved by Supermajority Board Approval.

(b) Following the expiration of the Initial Lock-Up Period, the following restrictions on transfer shall apply, in each case subject to the continued application of the Lock-Up Exceptions:

(i) at the expiration of the Initial Lock-Up Period, Stockholder may effect Dispositions of up to 33 1/3% of the Consideration Shares;

(ii) at the six-month anniversary following the Closing, Stockholder may effect Dispositions of up to 66 2/3% of the Consideration Shares; and

(iii) at the nine-month anniversary following the Closing, Stockholder may effect Dispositions of all of the Consideration Shares.

(c) Any Disposition by Stockholder of any Source Securities shall be subject in each case to compliance with the Securities Act, including, if applicable, Rules 144 and 145 under the Securities Act, and, if applicable, the reasonable requirements of Source's transfer agent with respect to sales of securities pursuant to Rule 144 and 145 under the Securities Act.

(d) Notwithstanding anything in this Agreement to the contrary, beginning upon the Closing and through the 2007 Annual Meeting, Stockholder covenants and agrees that it shall not make any Disposition:

(i) to any Stockholder Group Members unless such Stockholder Group Member(s) agree(s) in writing (in form reasonably acceptable to Source) prior to such Disposition to hold such Source Securities subject to all the rights and obligations of Stockholder under this Agreement; and

(ii) in either case without Supermajority Board Approval, to: (A) any Person or group that has (1) announced or commenced an unsolicited offer for any Voting Securities, (2) publicly initiated, proposed or otherwise solicited

Source stockholders for the approval of one or more stockholder proposals with respect to Source or (3) publicly made, or in any way participated in, any solicitation of proxies (or written consents), or otherwise become a "PARTICIPANT" in a "SOLICITATION," or assist any "PARTICIPANT" in a "SOLICITATION" (as such terms are defined under the Exchange Act) in opposition to the recommendation or proposal of the Board; or (B) any Person or group known to Stockholder at the time of the Disposition to be accumulating stock on behalf of or acting in concert with any Person or group contemplated by clause (A) of this Section 3.1(d).

3.2 Restrictive Legends. Any certificate or certificates representing the Consideration Shares and any securities issued in respect of the Consideration Shares as a result of any stock split, stock dividend, recapitalization, or similar transaction (collectively, the "LEGENDED SECURITIES") and any other Source Securities hereafter acquired by Stockholder shall be stamped or otherwise imprinted with a legend substantially in the following form:

> THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO VOTING OBLIGATIONS AND RESTRICTIONS ON TRANSFER, INCLUDING ANY SALE, PLEDGE OR OTHER HYPOTHECATION, WHICH RESTRICTIONS ARE SET FORTH IN A STOCKHOLDER'S AGREEMENT BETWEEN THE ISSUER AND AEC ASSOCIATES, L.L.C., A COPY OF WHICH MAY BE OBTAINED AT NO COST BY WRITTEN REQUEST MADE BY THE HOLDER OF RECORD OF THIS CERTIFICATE TO THE SECRETARY OF THE ISSUER AT THE ISSUER'S PRINCIPAL EXECUTIVE OFFICES.

Stockholder consents to Source making a notation on its records and giving instructions to any transfer agent of the Legended Securities in order to implement the restrictions on transfer established in this Article 3.

3.3 Procedures for Certain Transfers. Each certificate evidencing Legended Securities shall bear the restrictive legend set forth in Section 3.2 above, except that the legend and the stock transfer instructions and record notations with respect to such Legended Securities shall be removed upon the earlier to occur of (x) a transfer in accordance with the provisions of this Article 3 that does not require the transferee to be bound by this Agreement, and (y) expiration of the restrictions on transfer set forth in Section 3.1.

ARTICLE 4

REGISTRATION RIGHTS

4.1 Demand Registration.

(a) If at any time after the expiration of the Initial Lock-Up Period and prior to the termination of registration rights pursuant to Section 4.10, Source shall receive from

Stockholder (or any assignee that Stockholder specifically designates may provide such notice) a written request (a "DEMAND REQUEST") that Source effect the registration under the Securities Act of all or any part of any of the Registrable Securities that are then free from the restrictions on transfer contained in Section 3.1(b) above (the "DEMAND REGISTRABLE Securities"), then Source shall then use commercially reasonable efforts to cause the Demand Registrable Securities to be registered as soon as reasonably practicable after receipt of such Demand Request; provided, however, that such Demand Registrable Securities are to be offered and sold pursuant to a firmly committed underwritten offering led by a nationally recognized investment banking firm. In connection with the Demand Request, Source shall prepare and file with the SEC as soon as reasonably practicable after receipt of the Demand Request, and shall use its commercially reasonable efforts to cause to become effective as soon as practicable thereafter, a registration statement (a "DEMAND REGISTRATION STATEMENT") to effect such registration. The Demand Request shall (i) specify the number of Demand Registrable Securities intended to be offered and sold by Stockholder pursuant thereto and (ii) contain the undertaking of Stockholder to provide all such reasonable information and materials and take all such reasonable actions as may be required under applicable laws in order to permit Source to comply with all applicable requirements of the Securities Act, the Exchange Act and the rules and regulations of the SEC thereunder, and to obtain any desired acceleration of the effective date of such Demand Registration Statement. (b) The procedures to be followed by Source and Stockholder, and the respective rights and obligations of Source and Stockholder, with respect to the preparation, filing and effectiveness of the Demand Registration Statement and the distribution of Registrable Securities pursuant to the Demand Registration Statement under this Section 4.1 are set forth in Section 4.3.

4.2 Piggyback Registration.

(a) If prior to the termination of Stockholder's registration rights pursuant to Section 4.10, Source shall determine to register any of its Common Stock under the Securities Act (other than (i) registration statements relating to employee, consultant or director compensation or incentive arrangements, including employee benefit plans, (ii) registration statements pursuant to Rule 415 under the Securities Act or any successor rule with similar effect or (iii) any registration statement on Form S-4 with respect to any merger, consolidation or acquisition), then Source will promptly give Stockholder written notice thereof and include in such registration statement (a "PIGGYBACK REGISTRATION STATEMENT"), and in any underwriting involved therein, if any, all Registrable Securities that are then free from the restrictions on transfer contained in Section 3.1(b) above (the "PIGGYBACK REGISTRABLE SECURITIES") specified in a written request made by Stockholder (a "PIGGYBACK Request") within twenty (20) days after receipt of such written notice from Source provided, however, that delivery of a Piggyback Request shall not be valid if the Piggyback Registration Statement is expected to be declared effective during the Initial Lockup Period.

(b) If the Piggyback Registration Statement of which Source gives notice is for an underwritten offering, Source shall so advise Stockholder as a part of the written notice given pursuant to Section 4.2(a). In such event, the

right of Stockholder to registration pursuant to this Section 4.2 shall be conditioned upon the agreement of such Stockholder to participate in such underwriting to the extent provided herein. Upon the request of the managing underwriter, Stockholder, if it has made a Piggyback Request, shall (together with Source and any other

holders distributing Securities pursuant to such Piggyback Registration Statement, if any) enter into an underwriting agreement (the "PIGGYBACK UNDERWRITING AGREEMENT") in customary form with the underwriter or underwriters selected for such underwriting by Source.

(c) Notwithstanding any other provision of this Agreement, if the managing underwriters of any underwritten offering as to which Stockholder has made a Piggyback Request shall advise Source in writing (with a copy of any such notice to Stockholder) that, in its opinion, the distribution of all or a specified portion of the Piggyback Registrable Securities, after including all the shares proposed to be offered by Source and all the shares of any other Persons entitled to registration rights with respect to such Piggyback Registration Statement, will affect the price, timing or distribution of such securities by such underwriters and therefore require a limitation of the number of Piggyback Registrable Securities to be underwritten, Source may exclude Piggyback Registrable Securities. The securities that are entitled to be included in the underwritten offering shall be allocated as follows: (i) first, to Source for securities being sold for its own account, (ii) second, to Hilco Capital LP and such other Warrantholders, as defined in and in accordance with that certain Warrantholders Rights Agreement, dated as of October 30, 2003, to the extent required by such agreement, (iii) to Stockholder and (iv) to the other holders of Source Securities requesting to include Source Securities in such registration statement based on the pro rata percentage of Source Securities held by such holders. Notwithstanding the foregoing, Source shall use commercially reasonable efforts to allocate securities entitled to be included in an underwritten offering among the other holders of Source Securities requesting to include Source Securities pursuant to the agreement referenced in clause (ii) above with the Piggyback Registrable Securities held by Stockholder on a pro rata basis. Source shall not enter into any agreement or extend any current agreement with a holder of Source Securities that would conflict with the priority of allocation set forth herein or provide for a prior right in any underwriting to such holder over Stockholder.

(d) If Stockholder does not agree to the terms of any such underwriting, Stockholder shall be excluded from registering any of its Source Securities pursuant to the subject Piggyback Registration Statement by written notice from Source or the underwriter. Any Registrable Securities or other securities excluded or withdrawn from such underwriting shall be withdrawn from such registration.

(e) Except to the extent specifically provided in this Section 4.2, the procedures to be followed by Source and Stockholder, and the respective rights and obligations of Source and Stockholder, with respect to the distribution of any Piggyback Registrable Securities by Stockholder pursuant to any Piggyback Registration Statement filed by Source shall be as set forth in the Piggyback Underwriting Agreement, or any other agreement or agreements governing the distribution of such Piggyback Registrable Securities pursuant to such Piggyback Registration Statement.

(f) Notwithstanding the foregoing, nothing in this Section 4.2, or any other provision of this Agreement, shall be construed to limit the right of Source, in its reasonable discretion: (i) to delay, suspend or terminate the filing of any Piggyback Registration Statement; (ii) to delay the effectiveness of any Piggyback Registration Statement; (iii) to reduce the number of securities to be distributed pursuant to any Piggyback Registration Statement; or (iv) to withdraw such Piggyback Registration Statement.

4.3 Registration Procedures, Rights and Obligations. The procedures to be followed by Source and Stockholder, and the respective rights and obligations of Source and Stockholder, with respect to the preparation, filing and effectiveness of the Demand Registration Statement and the distribution of Registrable Securities pursuant thereto, are as follows:

(a) Stockholder shall not be entitled to make, in the aggregate, more than three (3) Demand Requests; provided, however, that any Demand Request that: (A) does not result in the corresponding Demand Registration Statement being declared effective by the SEC; (B) is withdrawn by Stockholder following the imposition of an order by the SEC with respect to the corresponding Demand Registration Statement; (C) is withdrawn at the request of Stockholder as a result of the exercise by Source of its suspension rights pursuant to Sections 4.3(e) or the occurrence of events set forth in Section 4.3(f) or 4.3(g); or (D) if the transactions contemplated in an underwriting agreement entered into in connection with such registration are not consummated, other than by reason of some act or omission by Stockholder, shall not count as a Demand Request. Any Demand Request that is withdrawn by Stockholder for any reason other than as set forth in the previous sentence shall count as a Demand Request. No Demand Request shall require that a Demand Registration Statement be declared effective until after the expiration of the Initial Lock-Up Period.

(b) Source shall prepare and file with the SEC such amendments and supplements to the Demand Registration Statement and prospectus used in connection therewith as may be necessary to comply with the provisions of the Securities Act with respect to the sale or other disposition of all Demand Registrable Securities proposed to be distributed pursuant to the Demand Registration Statement until such time as all Demand Registrable Securities registered pursuant to the Demand Registration Statement have been sold.

(c) In connection with an underwritten offering pursuant to the Demand Registration Statement, Stockholder shall select a nationally recognized investment banking firm to serve as lead manager of such offering. Such manager is hereinafter referred to as the "DEMAND MANAGING UNDERWRITER." Source shall, together with Stockholder, enter into an underwriting agreement with the Demand Managing Underwriter, which agreement may contain representations, warranties, indemnities and agreements then customarily included by an issuer in underwriting agreements with respect to secondary distributions under demand registration statements.

(d) Notwithstanding any other provision of this Agreement, the number of Demand Registrable Securities proposed to be distributed by Stockholder pursuant to an underwritten offering may be limited by the Demand Managing Underwriter if it shall advise Source in writing (with a copy of any such notice to Stockholder) that, in its opinion, the distribution of all or a specified portion of the Demand Registrable Shares will affect the price, timing or distribution of such Securities (a "DEMAND MARKET CUT-BACK"). The securities that are entitled to be included in the underwritten offering shall be allocated first to Stockholder and thereafter among other holders of Source Securities requesting to include such Source Securities in such registration statement based on the pro rata percentage of Source Securities held by such holders.

(e) Notwithstanding any other provisions of this Agreement, in the event that Source receives a Demand Request at a time when Source (i) shall have filed, or has a bona fide intention to file, a registration statement with respect to a proposed public offering of equity or equity-linked securities, or (ii) has commenced, or has a bona fide intention to commence, a public offering of equity or equity-linked securities pursuant to an existing effective shelf or other registration statement, then Source shall be entitled to suspend, for a period of up to ninety (90) days after the receipt by Source of such Demand Request, the filing of the Demand Registration Statement. If Source shall so postpone the filing of the Registration Statement and if Stockholder within thirty days after receipt of the notice of postponement advises Source in writing that such Stockholder has determined to withdraw such request for registration, then such Demand Registration shall be deemed to be withdrawn and Source shall pay all expense in connection with such withdrawn request. Notwithstanding the foregoing, Source shall not be permitted to defer requested registration in reliance on this Section 4.2(e) more than once in any twelve month period.

(f) Notwithstanding any other provision of this Agreement, in the event that Source determines that (i) non-public material information regarding Source exists, the immediate disclosure of which would be detrimental to Source; (ii) the prospectus constituting a part of any registration statement covering the distribution of any Registrable Securities, at a time when a prospectus

relating thereto is required to be delivered under the Securities Act, 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 the light of the circumstances under which they were made, not misleading; or (iii) an offering of Registrable Securities would materially interfere with any proposed material acquisition, disposition or other similar corporate transaction or event involving Source (each of the events or conditions referred to in clauses (i), (ii) and (iii) of this sentence is hereinafter referred to as a "SUSPENSION CONDITION"), then Source shall have the right to suspend, for a maximum period of 30 days (the "SUSPENSION PERIOD"), (A) the filing or effectiveness of any Demand Registration Statement or (B) any distribution of Registrable Securities pursuant to any effective registration statement. Source will as promptly as practicable provide written notice to Stockholder when a Suspension Condition arises and when it ceases to exist. Upon receipt of notice from Source of the existence of any Suspension Condition, Stockholder shall forthwith discontinue efforts during the Suspension Period to: (i) cause Source to file or cause any Demand Registration Statement to be declared effective by the SEC (in the event that such Demand Registration Statement has not been filed, or has been filed but not declared effective, at the time Stockholder receives notice that a Suspension Condition has arisen); or (ii) offer or sell Registrable Securities (in the event that such registration statement has been declared effective at the time Stockholder receives notice that a Suspension Condition has arisen). In the event that Stockholder has previously commenced or was about to commence the distribution of Registrable Securities pursuant to a prospectus under an effective registration statement, then Source shall, as promptly as practicable, make available to Stockholder (and to each underwriter, if any, participating in such distribution) an amendment or supplement to such prospectus. If so directed by Source, Stockholder shall deliver to Source all copies, other than permanent file copies then in Stockholder's possession, of the most recent prospectus covering such Registrable Securities at the time of receipt of such notice. Notwithstanding the foregoing, Source shall not be permitted to defer requested registration in reliance on this Section 4.2(f) more than five times, and the aggregate Suspension Period for all requests shall not exceed forty-five days in any twelve month period.

(g) Source shall promptly notify Stockholder of any stop order issued or, to Source's knowledge, threatened to be issued by the SEC with respect to any registration statement covering Registrable Securities, and will use its commercially reasonable efforts to prevent the entry of such stop order or to remove it if entered at the earliest possible date.

(h) Source shall furnish to Stockholder (and any underwriter in connection with any underwritten offering) such number of copies of any prospectus (including any preliminary prospectus and any amended or supplemented prospectus), in conformity with the requirements of the Securities Act, as Stockholder (and such underwriters) shall reasonably request in order to effect

the offering and sale of any Registrable Securities to be offered and sold.

(i) Source shall use commercially reasonable efforts to register or qualify the Demand Registrable Securities covered by the Demand Registration Statement under the state securities or "blue sky" laws of such states as Stockholder may reasonably request; provided, however, that Source shall not be required to take any action that would subject it to the general jurisdiction of the courts of any jurisdiction in which it is not so subject or to qualify as a foreign corporation in any jurisdiction where Source is not so qualified.

(j) Source shall furnish to Stockholder and to each underwriter engaged in the underwritten offering of Demand Registrable Securities, a signed counterpart, addressed to Stockholder or such underwriter, of (i) an opinion or opinions of counsel to Source and (ii) a comfort letter or comfort letters from Source's independent public accountants, each in customary form and covering such matters of the type customarily covered by opinions or comfort letters, as the case may be, as Stockholder or the Demand Managing Underwriter may reasonably request.

(k) Source shall use commercially reasonable efforts to cause all Demand Registrable Securities to be listed on each securities exchange on which similar securities of Source are then listed.

(l) Source shall take all such other actions reasonably necessary to permit the Demand Registrable Securities held by Stockholder to be registered and disposed of in accordance with the methods of disposition described herein.

(m) Upon request from Stockholder, Source shall use commercially reasonable efforts to assist in the marketing of the Registrable Securities, including, for example, by participating in roadshow presentations with potential investors, and such other methods as Source shall reasonably determine in its sole discretion, and the cost of such efforts shall be paid by Stockholder unless Source is also marketing Source Securities for its own account at such time.

4.4 Expenses. Subject to Section 4.5, Source shall pay all registration expenses, other than underwriting or selling discounts and commissions, in connection with any registration statements that are initiated pursuant to Sections 4.1 or 4.2 of this Agreement, including, without limitation, all SEC, National Association of Securities Dealers, Inc., listing, and blue sky registration and filing fees, printing expenses, transfer agents' and registrars' fees, fees and

expenses of counsel for Source and those of Source's independent auditors. Subject to Section 4.5, Stockholder shall pay (i) with respect to any registration pursuant to Sections 4.1 and 4.2, the fees and expenses of counsel

for Stockholder, (ii) all underwriting discounts and selling commissions with respect to the Registrable Securities sold by it pursuant to such registration statement; and (iii) any other expenses incurred by it other than those that are to be paid by Source in accordance with the immediately preceding sentence.

4.5 Indemnification.

(a) In the case of any offering registered pursuant to this Section 4, to the extent permitted by law, Source will indemnify and hold harmless Stockholder, its Affiliates and officers and directors of Stockholder, any underwriter (as defined in the Securities Act) of such offering and each other Person, if any, who controls such Persons within the meaning of Section 15 of the Securities Act against any losses, claims, damages or liabilities, joint or several, to which any such Persons may be subject, under the Securities Act or any other statute or at common law or otherwise, and to reimburse any of such Persons for any legal or other expenses reasonably incurred by them in connection with investigating any claims or defending against any actions, insofar as such losses, claims, damages or liabilities arise out of or are based upon any untrue statement or alleged untrue statement of a material fact contained in the registration statement under which such Registrable Securities were registered under the Securities Act pursuant to this Section 4, the prospectus contained therein (during the period that Source is required to keep such prospectus current), or any amendment or supplement thereto, or the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances in which they were made, not misleading, provided Source shall not be liable insofar as such losses, claims, damages or liabilities arise out of or are based upon any such untrue statement or omission or alleged untrue statement or omission made in reliance upon information furnished in writing to Source by Stockholder, its Affiliates or any underwriter for Stockholder specifically for use therein. Such indemnity shall remain in full force and effect regardless of any investigation made by or on behalf of such holder or any such director, officer, affiliate, partner, underwriter or controlling person and shall survive the transfer of such securities by such holder.

(b) By requesting registration under this Section 4, Stockholder agrees, if Registrable Securities held by it are included in the securities as to which such registration is being effected, to indemnify and to hold harmless Source, its Affiliates and their respective directors and officers and each Person, if any, who controls such Persons within the meaning of Section 15 of the Securities Act against any losses, claims, damages or liabilities, joint or several, to which any of such Persons may be subject, under the Securities Act or any other statute or at common law or otherwise, and to reimburse any of such Persons for any legal or other expenses incurred by them in connection with investigating any claims or defending against any actions, to the extent such losses, claims, damages or liabilities arise out of or are based upon any untrue statement or alleged untrue statement or omission or alleged omission of a material fact in the registration statement under which such Registrable Securities were registered under the Securities Act pursuant to this Section 4, any prospectus contained therein, or any amendment or supplement thereto, and which is made in reliance upon information furnished in writing to Source by

Stockholder, its Affiliates or any underwriter for Stockholder specifically for inclusion therein. In no event shall the liability of Stockholder hereunder be

greater in amount than the dollar amount of the net proceeds received by such Stockholder upon the sale of the Registrable Securities giving rise to such indemnification obligation.

(c) Each party entitled to indemnification under this Section 4.5 (the "INDEMNIFIED PARTY") shall give notice to the party required to provide indemnification (the "INDEMNIFYING PARTY") promptly after such Indemnified Party has knowledge of any claim as to which indemnity may be sought, and shall permit the Indemnifying Party to assume the defense of any such claim or any litigation resulting therefrom, provided that counsel for the Indemnifying Party shall be approved by the Indemnified Party (whose approval shall not be unreasonably withheld or delayed), and the Indemnified Party may participate in such defense at its own expense, and provided further that the failure of any Indemnified Party to give notice as provided herein shall not relieve the Indemnifying Party of its obligations under this Section 4.5 unless such failure is materially prejudicial to the Indemnifying Party's ability to defend such claim. No Indemnifying Party (i) in the defense of any such claim or litigation, shall, except with the consent of each Indemnified Party, consent to entry of any judgment or enter into any settlement which does not include as an unconditional term thereof the giving by the claimant or plaintiff to such Indemnified Party of a release from all liability in respect to such claim or litigation, or (ii) shall be liable for amounts paid in any settlement if such settlement is effected without the consent of the Indemnifying Party.

(d) If the indemnification provided for in the preceding subdivision of this Section 4.5 is unavailable to an Indemnified Party in respect of any expense, loss, claim, damage or liability referred to therein, then each Indemnifying Party, in lieu of indemnifying such Indemnified Party, shall contribute to the amount paid or payable by such Indemnified Party as a result of such expense, loss, claim, damage or liability (i) in such proportion as is appropriate to reflect the relative benefits received by Source on the one hand and the holder or underwriter, as the case may be, on the other from the distribution of the Registrable Securities or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of Source on the one hand and of the holder or underwriter, as the case may be, on the other in connection with the statements or omissions which resulted in such expense, loss, damage or liability, as well as any other relevant equitable considerations. The relative benefits received by Source on the one hand and the holder or underwriter, as the case may be, on the other in connection with the distribution of the Registrable Securities shall be deemed to be in the same proportion as the total net proceeds received by Source from the initial sale of the Registrable Securities by Source to the

purchaser bear to the gain realized by Stockholder or the underwriting discounts and commissions received by the underwriter, as the case may be. The relative fault of Source on the one hand and of Stockholder or underwriter, as the case may be, on the other shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or omission to state a material fact relates to information supplied by Source, by Stockholder or by the underwriter and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission; provided that the foregoing contribution agreement shall not inure to the benefit of any Indemnified Party if indemnification would be unavailable to such Indemnified Party by reason of the proviso contained in the first sentence of subdivision (a) of this Section 4.5, and in no event shall the obligation of any Indemnifying Party to contribute under this subdivision (d) exceed the amount that such Indemnifying Party would have been obligated to pay by way of

indemnification if the indemnification provided for under subdivisions (a) or (b) of this Section 4.5 had been available under the circumstances.

Source and the holders of the Registrable Securities agree that it would not be just and equitable if contribution pursuant to this subdivision (d) were determined by pro rata allocation (even if the holders and any underwriters were treated as one entity for such purpose) or by any other method of allocation that does not take account of the equitable considerations referred to in the immediately preceding paragraph and subdivision (c) of this Section 4.5. The amount paid or payable by an Indemnified Party as a result of the losses, claims, damages and liabilities referred to in the immediately preceding paragraph shall be deemed to include, subject to the limitations set forth above, any legal or other expenses reasonably incurred by such Indemnified Party in connection with investigating or defending any such action or claim.

Notwithstanding the provisions of this subdivision (d), no holder of Registrable Securities or underwriter shall be required to contribute any amount in excess of the amount by which (i) in the case of any such holder, the net proceeds received by such holder from the sale of Registrable Securities or (ii) in the case of an underwriter, the total price at which the Registrable Securities purchased by it and distributed to the public were offered to the public exceeds, in any such case, the amount of any damages that such holder or underwriter has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission. No Person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

4.6 Issuances by Source or Other Holders. As to the registration or distribution referred to in Section 4.1, additional shares of Source Securities to be sold for the account of Source or other holders may be included therein;

provided, however, that the inclusion of such Source Securities in such registration or distribution may be conditioned or restricted in accordance with the allocation set forth in Section 4.3(d) if, in the written opinion of the Demand Managing Underwriter, price, timing or distribution factors require a limitation of the number of shares to be underwritten.

4.7 Information by Stockholder. Stockholder shall furnish to Source such information regarding Stockholder in the distribution of Registrable Securities proposed by Stockholder as Source may reasonably request and as shall be required in connection with any registration, qualification or compliance referred to in this Article 4.

4.8 Market Standoff Agreement. For so long as Stockholder and any Stockholder Group Member own beneficially or of record, in the aggregate, ten percent (10%) or more of the outstanding Source Securities, in connection with the public offering of any Source Securities, Stockholder agrees that, upon the request of Source or the underwriters managing any underwritten offering of Source's Securities, Stockholder shall agree in writing (the "PUBLIC OFFERING LOCK-UP") that neither Stockholder nor any Stockholder Group Member will effect any Disposition of any Consideration Shares without the prior written consent of Source and such underwriters for the same period as agreed to by all of Source's directors. Stockholder agrees that Source may instruct its transfer agent to place stop-transfer notations in its records to enforce the provisions of the Public Offering Lock-Up contained in this Section 4.8.

4.9 Restrictions on Transfer. Notwithstanding anything in this Article 4, any Disposition by Stockholder of Source Securities, whether by way of a registered offering or otherwise, shall comply with the restrictions on transfer set forth in Section 3.1.

4.10 Termination. The provisions of this Article 4 with respect to registration rights shall terminate on the date when all Registrable Securities owned beneficially and/or of record by Stockholder may immediately be sold under Rule 144(k) or by any assignee of Stockholder under Rule 144 in any ninety day period.

ARTICLE 5

INTENTIONALLY LEFT BLANK

ARTICLE 6

NONCOMPETITION

6.1 Stockholder Covenants Not to Compete.

(a) Stockholder acknowledges that due to the nature of Stockholder's association with the Company, Stockholder has confidential and proprietary information relating to the Company and the Business.

(b) During the period which shall commence on the Closing and terminate on the earlier of the second (2nd) anniversary of the Closing or the Minimum Holding Date (the "RESTRICTED PERIOD"), Stockholder shall not engage in or participate in the Business by directly or indirectly owning, managing, operating, controlling or otherwise engaging or participating in, or being connected as an owner, partner, principal, guarantor, advisor, member of the board of directors of, employee of, independent contractor for or consultant to or otherwise rendering any direct or indirect service for any company that derives more than 15% of its revenues from the Business.

(c) Notwithstanding the foregoing provisions of Section 6.1(b) and the restrictions set forth therein, Stockholder may own securities in any publicly held corporation that is covered by the restrictions set forth in Section 6.1(b), but only to the extent that Stockholder does not own beneficially and/or of record, in the aggregate, more than five percent (5%) of the outstanding common stock of such corporation.

(d) The restrictions set forth in Section 6.1(b) shall apply to North America (the "BUSINESS AREA").

6.2 Nonsolicitation of Employees or Consultants. During the Restricted Period, Stockholder shall not, without the prior written consent of Source, directly or indirectly hire, retain or solicit or request, cause or induce (other than in all instances through a general advertisement or solicitation not directed at an individual) to leave the employ of, or terminate such person's relationship with the Company or its successor or any subsidiary thereof, any person who is at the time, or at any time during the 12 months prior hereto had been, an

employee of, a consultant to or a service provider of or independent contractor for the Company or its successor or any subsidiary thereof, devoting substantially all of his or her time to the Company or its successor or any subsidiary thereof.

6.3 Nonsolicitation of Customers. During the Restricted Period, Stockholder shall not, directly or indirectly, solicit, induce or attempt to induce any existing customer of the Company or its successor or any subsidiary thereof to cease doing business in whole or in part with the Company or its successor or any subsidiary thereof, as the case may be, with respect to the Business or intentionally disparage the business reputation of the Company or its successor or any subsidiary thereof (or any member of the management team or board of any thereof).

6.4 Nondisclosure and Nonuse of Confidential Information. Stockholder shall not disclose or use at any time any Confidential Information (as defined below), of which Stockholder is or becomes aware, whether or not such information is developed by it. Stockholder shall take all appropriate steps to safeguard Confidential Information and to protect it against disclosure, misuse, espionage, loss and theft. As used in this Agreement, the term "CONFIDENTIAL INFORMATION" means all information of a confidential or proprietary nature (whether or not specifically labeled or identified as "confidential"), in any form or medium, which relates to the Company or its successor or any subsidiary thereof or any of their respective business relations and business activities. Confidential Information does not include information which (i) is or becomes generally available to the public other than as a result of a breach of this Agreement, (ii) was within Stockholder's possession prior to its being furnished to Stockholder by or on behalf of the Company or its successor or any subsidiary thereof, provided that the source of such information was not known by Stockholder to be bound by a confidentiality agreement with or other contractual, legal or fiduciary obligation of confidentiality to the Company or its successor or any subsidiary thereof, (iii) is or becomes available to Stockholder on a non-confidential basis from a source other than the Company or its successor or any subsidiary thereof or any of their representatives, provided that such source was not known by Stockholder to be bound by a confidentiality agreement with or other contractual, legal or fiduciary obligation of confidentiality to the Company or its successor or any subsidiary thereof or any other party with respect to such information, (iv) is disclosed by the Company or its successor or any subsidiary thereof or Source to a third party without a duty of confidentiality, (v) is independently developed by Stockholder without use of Confidential Information, (vi) is disclosed under operation of law, or (vii) is disclosed by Stockholder or their representatives with the Company's or its successor's or any subsidiary's thereof or Source's prior written approval. The obligation under this Section 6.4 shall terminate two years after the Restricted Period.

6.5 Separate Covenants. This Section 6 shall be deemed to consist of a series of separate covenants, one for each line of business carried on by the Business and each county, state, province, country or other region included in the Business Area. The parties expressly agree that the character, duration and geographical scope of this Section 6 are reasonable in light of the circumstances as they exist on the date upon which the Agreement has been executed.

ARTICLE 7

REPRESENTATIONS AND WARRANTIES

7.1 Representations and Warranties of Source.

(a) Existence and Power. Source is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation.

(b) Authorization. The execution, delivery and performance of this Agreement by Source have been duly authorized by all necessary corporate action on the part of Source. This Agreement constitutes the legal, valid and binding agreement of Source, enforceable against Source in accordance with its terms, except as such enforcement may be limited by (i) applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting or relating to enforcement of creditors' rights generally and (ii) general equitable principles, regardless of whether such enforceability is considered in a proceeding at law or in equity.

(c) Compliance. The execution, delivery and performance of this Agreement by Source requires no action by or in respect of, or filing with, any governmental or non-governmental body, agency or official or any other Person other than as required by any applicable requirements of the Securities Act, the Exchange Act and other filings or notifications that are immaterial to the consummation of the transactions contemplated hereby.

(d) Non-contravention. The execution, delivery and performance of this Agreement by Source does not and will not (a) violate the internal governance documents of Source, (b) violate any applicable law, rule, regulation, judgment, injunction, order or decree binding upon Source or (c) constitute a default under any material agreement or other instrument binding upon Source.

7.2 Representations and Warranties of AEC Associates.

(a) Existence and Power. AEC Associates is a limited liability company duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation.

(b) Authorization. The execution, delivery and performance of this Agreement by AEC Associates have been duly authorized by all necessary corporate action on the part of AEC Associates. This Agreement constitutes the legal, valid and binding agreement of AEC Associates, enforceable against AEC Associates in accordance with its terms, except as such enforcement may be limited by (i) applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting or relating to enforcement of creditors' rights generally and (ii) general equitable principles, regardless of whether such enforceability is considered in a proceeding at law or in equity.

(c) Compliance. The execution, delivery and performance of this Agreement by AEC Associates requires no action by or in respect of, or filing with, any governmental or non-governmental body, agency or official or any other Person other than as required by any

applicable requirements of the Exchange Act and other filings or notifications that are immaterial to the consummation of the transactions contemplated hereby.

(d) Non-contravention. The execution, delivery and performance of this Agreement by AEC Associates does not and will not (a) violate the internal governance documents of AEC Associates, (b) violate any applicable law, rule, regulation, judgment, injunction, order or decree binding upon AEC Associates or (c) constitute a default under any material agreement or other instrument binding upon AEC Associates.

(e) AEC Associates Ownership of Source Securities. On the date hereof and immediately prior to the Closing, without giving effect to the transactions contemplated by the Merger Agreement, neither AEC Associates nor any Affiliate of AEC Associates beneficially owns any Source Securities.

(f) AEC Associates Ownership of Source Common Stock. As of the Effective Time, AEC Associates shall lawfully own of record and/or beneficially that number of shares of Source Common Stock set forth on Exhibit A hereto, free and clear of any mortgage, pledge, security interest, encumbrance, charge or other lien (whether arising by contract or operation of law).

ARTICLE 8

MISCELLANEOUS

8.1 Notices. All notices and other communications hereunder shall be in writing and shall be deemed given if delivered personally, mailed by registered or certified mail (return receipt requested) or sent via facsimile to the parties at the following addresses (or at such other address for a party as shall be specified by like notice):

(a) if to Source, to:

Source Interlink Companies, Inc.
27500 Riverview Center Blvd.,
Suite 400
Bonita Springs, Florida 34134
Attention: S. Leslie Flegel, Chairman and Chief Executive Officer
Facsimile: 239-949-7649

with copies to:

Source Interlink Companies, Inc.
27500 Riverview Center Blvd.,
Suite 400
Bonita Springs, Florida 34134
Attention: Douglas J. Bates, Esq., General Counsel

Facsimile: 239-949-7689

and

Wilson Sonsini Goodrich & Rosati, Professional Corporation
650 Page Mill Road
Palo Alto, California 94304-1050
Attention: Steven V. Bernard
Steve L. Camahort
Fax: 650-493-6811

(b) if to AEC Associates, to:

AEC Associates, L.L.C.
9130 West Sunset Blvd.
Los Angeles, CA 90069
Attention: General Counsel
Facsimile: (310) 789-1791

with a copy to:

Munger, Tolles & Olson LLP
355 South Grand Avenue
35th Floor
Los Angeles, CA 90071
Attention: Robert B. Knauss
Sandra Seville-Jones
Facsimile: (213) 683-5137

8.2 Interpretation. The headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. In this Agreement, unless a contrary intention appears (i) the words "HEREIN," "HEREOF" and "HEREUNDER" and other words of similar import refer to this Agreement as a whole and not to any particular Article, Section or other subdivision and (ii) reference to any Article or Section means such Article or Section hereof. No provision of this Agreement shall be interpreted or construed against any party hereto solely because such party or its legal representative drafted such provision. Neither this Agreement nor any uncertainty or ambiguity herein shall be construed or resolved against any party, whether under any rule of construction or otherwise. No party to this Agreement shall be considered the draftsman. The parties hereto acknowledge and agree that this Agreement has been reviewed, negotiated and accepted by all parties and their attorneys and shall be construed and interpreted according to the ordinary meaning of the words used so as fairly to accomplish the purposes and intentions of the parties hereto.

8.3 Entire Agreement. This Agreement (including the documents and instruments referred to herein and the exhibits and schedules attached hereto) constitutes the entire agreement and supersedes all other prior agreements and understandings, both written and oral, among the parties, or any of them, with respect to the subject matter hereof.

8.4 Governing Law. THIS AGREEMENT SHALL BE GOVERNED IN ALL RESPECTS, INCLUDING VALIDITY, INTERPRETATION AND EFFECT, BY THE LAWS

OF THE STATE OF NEW YORK APPLICABLE TO CONTRACTS EXECUTED AND TO BE PERFORMED WHOLLY WITHIN SUCH STATE.

8.5 Waiver of Jury Trial. EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM (WHETHER BASED ON CONTRACT, TORT OR OTHERWISE) ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE ACTIONS OF THE PARTIES HERETO IN THE NEGOTIATION, ADMINISTRATION, PERFORMANCE AND ENFORCEMENT HEREOF.

8.6 Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed to be an original, but all of which shall constitute one and the same agreement. 8.7 Parties in Interest. This Agreement shall be binding upon and inure solely to the benefit of each party hereto and nothing in this Agreement, express or implied, is intended to confer upon any other person any rights or remedies of any nature whatsoever under or by reason of this Agreement except as specifically provided in Section 4.5. For the purposes of Articles 5 and 6 of this Agreement only, Source and Stockholder hereby acknowledge and agree that the Company is an intended third-party beneficiary of this Agreement and, with respect to Articles 5 and 6 of this Agreement only, the Company shall be entitled to enforce this Agreement as if it were expressly named as a party hereto.

8.8 Severability. Any term or provision of this Agreement which is invalid or unenforceable in any jurisdiction shall, as to that jurisdiction, be ineffective to the extent of such invalidity or unenforceability without rendering invalid or unenforceable the remaining terms and provisions of this Agreement or affecting the validity or enforceability of any of the terms or provisions of this Agreement in any other jurisdiction. If any provision of this Agreement is so broad as to be unenforceable, the provision shall be interpreted to be only as broad as is enforceable.

8.9 Equitable Relief. The parties hereto agree that the remedies at law for any breach of the terms of this Agreement are inadequate. Accordingly, the parties hereto consent and agree that an injunction may be issued to restrain any breach or alleged breach of such provisions. The parties hereto agree that terms of this Agreement shall be enforceable by a decree of specific performance. Such remedies shall be cumulative and not exclusive, and shall be

in addition to any other remedies that the parties may have at law or in equity.

8.10 Assignment. Neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by any of the parties hereto (whether by operation of law or otherwise) without the prior written consent of the other parties; provided however, Stockholder may assign its right, interests and obligations pursuant to Article 4 of this Agreement to or for the benefit of any affiliates or members of Stockholder who acquire any Consideration Shares in accordance with the terms of this Agreement and agree in writing with Source to be bound by the provisions hereof as if originally the Stockholder unless otherwise provided for herein. Subject to the preceding sentence, this Agreement shall be binding upon, inure to the benefit of and be enforceable by the parties and their respective successors and assigns. Additionally,

notwithstanding the foregoing or anything to the contrary contained in this Agreement, Source is specifically permitted to consummate the Reincorporation of Source into the State of Delaware. Stockholder shall not engage in any transaction or series of transactions in which another entity becomes the owner of more than 50% of its equity securities unless the acquiror or the ultimate parent entity shall have executed and delivered to Source an agreement confirming that such acquiror and/or ultimate parent entity shall, upon consummation of such transaction or series of transactions, cause the relevant party to be bound to Section 6.1.

[Signature page follows]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the date first written above.

SOURCE INTERLINK COMPANIES, INC.

By: /s/ S. Leslie Flegel

Name: S. Leslie Flegel
Title: Chairman and Chief Executive Officer

AEC ASSOCIATES, L.L.C.

By: /s/ Robert P. Bermingham

Name: Robert P. Bermingham
Title: Vice President and Secretary

[SIGNATURE PAGE TO STOCKHOLDER'S AGREEMENT]

EXHIBIT A

STOCKHOLDER OWNERSHIP OF SOURCE COMMON STOCK

<TABLE>
<CAPTION>

RECORD	BENEFICIAL
<S>	<C>
17,685,568 shares of common stock	17,685,568 shares of common stock

</TABLE>

EXHIBIT 10.6

EXECUTIVE EMPLOYMENT AGREEMENT

ENTERED INTO on February 28, 2005 by and between James R. Gillis ("EXECUTIVE"), an individual presently domiciled in Naples, Florida, and SOURCE INTERLINK COMPANIES, INC. (the "COMPANY"), a Missouri corporation having its principal executive offices at 27500 Riverview Center Blvd., Suite 400, Bonita Springs, Florida 34134.

WHEREAS, Executive is currently employed by the Company pursuant to a certain Employment and Non-Competition Agreement dated as of December 14, 1998 as amended by a certain Amendment to Employment and Non-Competition Agreement dated as of August 3, 2000 and by a certain Second Amendment to Employment and Non-Competition Agreement dated as of July 5, 2002 (collectively, the "Existing Agreement"), and the Company desires to assure itself of the continued benefit of Executive's services and experience, and

WHEREAS, Executive desires to continue in the employ of the Company under the terms and provisions set forth in this Agreement following the merger contemplated by the Merger Agreement (defined in Section 2), and

WHEREAS, the Existing Agreement shall remain in full force and effect unless and until the Effective Time defined by the Merger Agreement and concurrently with such Effective Time, this Agreement shall supercede the Existing Agreement and each party shall be fully and finally released from all obligation under the Existing Agreement.

NOW, THEREFORE, with the intent to be legally bound, the Company and Executive do hereby covenant and agree as follows.

Section 1. Employment of Executive.

1.1. The Company hereby agrees to employ Executive in the positions described in Section 1.2 below, and Executive hereby accepts such employment, under the terms and provisions set forth in this Agreement.

1.2. During the Period of Employment (defined in Section 2. below), Executive shall serve in the position of President and Chief Operating Officer of the Company, based at the Company's corporate headquarters in Bonita Springs, Florida, reporting directly to the Company's Chief Executive Officer. Executive shall have the usual and customary duties, responsibilities and authority of chief operating officer, and shall perform such other and additional duties and responsibilities as are consistent with that position and as the Board of Directors of Source Interlink Companies, Inc. (the "BOARD") or the Company's Chief Executive Officer may reasonably require.

1.3. Executive shall devote all of his working time, attention and energy using his best efforts to the performance of his duties and responsibilities,

and shall apply the level of skill, diligence, energy, and cooperation to protecting and advancing the interests of the Company and

its subsidiaries as can be reasonably expected from a faithful, dedicated, experienced and prudent corporate executive (as applicable under this Section 1) under similar circumstances.

Section 2. Term of Employment.

The term of employment of Executive under this Agreement shall be a five-year period commencing at the Effective Time defined by that certain Agreement and Plan of Merger, dated November 18, 2004, by and among Source Interlink Companies, Inc., Alliance Entertainment Corp. and Alligator Acquisition, LLC (the "MERGER AGREEMENT") and expiring on the fifth annual anniversary thereof (the "PERIOD OF EMPLOYMENT"). Not later than One Hundred Eighty (180) days prior to the expiration of the Period of Employment, the Company and the Executive will meet to discuss their respective intentions concerning the continued employment of Executive following the expiration of the Period of Employment.

Section 3. Early Termination.

3.1. Notwithstanding the provisions of Section 2 hereof, the Period of Employment shall be subject to early termination at any time:

(a) at the Company's election, by dismissal of Executive from employment with or without Proper Cause (defined in Section 3.2 below) pursuant to resolution of the Board, or

(b) at the Company's election, upon determination of Disability of Executive pursuant to Section 3.3 below, or

(c) upon death of Executive, or

(d) at Executive's election, by voluntary resignation upon 30 days' advance written notice, with or without Good Reason (defined in Section 3.5 below).

In the event of early termination pursuant to the foregoing paragraphs (a), (b), (c) or (d), the Company's obligations to Executive shall be as set forth in Sections 3.2, 3.3, 3.4 or 3.5, respectively; and Executive shall have no other rights or claims under this Agreement except for (i) reimbursement of previously incurred expenses pursuant to Section 5.1 below and (ii) indemnification pursuant to Section 5.2 below.

3.2. (a) In the event of early termination pursuant to Section 3.1(a) without Proper Cause, the Company shall be and remain obligated to pay and provide to Executive (or his estate) during the remainder of the Period of Employment provided for under Section 2.:

(i) The Base Compensation provided for under Section 4.2 below at the annual salary rates stated therein without further adjustment.

(ii) The Guaranteed Bonus provided for under Section 4.3 below for each remaining year of the Period of Employment.

(iii) The right to continued participation in the Company's healthcare and medical expense reimbursement plan (referred to in Section 4.5 below) under and subject to the same terms and provisions (including without limitation contribution to premiums, deductibles, co-payments and caps) as are applicable during such period to the Company's executive officers generally. For purposes of Executive's eligibility to participate in the programs and plans described in Section 4.5 during the remaining portion of the Period of Employment, Executive shall be deemed to be an employee of the Company.

(b) In the event of early termination pursuant to Section 3.1(a) with Proper Cause, the Company shall thereupon be relieved of its obligations to pay or provide any and all compensation and benefits under Section 4 hereof (except for accrued and unpaid items).

(c) The occurrence of any of the following events or circumstances shall constitute "PROPER CAUSE" for dismissal of Executive from employment under this Agreement:

(i) Disclosure to third parties of trade secrets or other Confidential Information (defined in Section 6 below), or any other misuse or misappropriation thereof, by Executive in violation of the obligations imposed by Section 6 hereof;

(ii) Violation by Executive of the restrictions imposed by Section 7 of this Agreement on competitive activities by Executive;

(iii) Abandonment by Executive of his employment with the Company or any subsidiary or repeated and deliberate failure or refusal by Executive to fulfill his duties and responsibilities under this Agreement in any material respect and Executive's failure or refusal to initiate corrective action within 10 days after written notice by the Company setting forth in reasonable detail the conditions alleged to be encompassed by the foregoing clause;

(iv) Perpetration of any defalcations by Executive or any other act of financial dishonesty or theft affecting the Company or any of its subsidiaries;

(v) Willful, reckless or grossly negligent conduct by Executive entailing a material violation of the laws or governmental regulations or orders applicable to the Company or its subsidiaries, or imposition by any court or governmental agency of any material restriction upon Executive's ability to

perform his duties and responsibilities hereunder;

(vi) Repeated and deliberate failure or refusal by Executive to comply with lawful policies of the Company or lawful directives of the Board;

(vii) Conviction of Executive of a crime in any federal, state or foreign court, or entry of any governmental decree or order against Executive based upon violation of any federal, state or foreign law, and the determination by the Board, made in its reasonable discretion, that, in the circumstances, the continued association of Executive with the Company will, more likely than not, have a material adverse effect upon the Company, its business or its reputation.

3.3. The term of employment of Executive under this Agreement may be terminated at the election of the Company upon a determination by the Board, made in its reasonable discretion, that Executive is, or will be, unable, by reason of physical or mental incapacity ("DISABILITY") whether caused by accident, illness, disease or otherwise, to substantially perform the material duties and responsibilities assigned to him pursuant to this Agreement for a period longer than 90 consecutive days or more than 180 days in any consecutive 12-month period. In the exercise of its discretion, the Board shall give due consideration to, among such other factors as it deems appropriate to the best interests of the Company, the opinion of Executive's personal physician or physicians and the opinion of any physician or physicians selected by the Board for these purposes. Executive shall submit to examination by any physician or physicians so selected by the Board, and shall otherwise cooperate with the Board in making the determination contemplated hereunder (such cooperation to include without limitation consenting to the release of information by any such physician(s) to the Board). In the event of early termination for Disability pursuant to Section 3.1(b), the Company shall thereupon be relieved of its obligations to pay or provide any and all compensation and benefits under Section 4 hereof (except for accrued and unpaid items), but shall be obligated to provide to Executive:

(a) For the period commencing on the date of early termination and ending on the expiration of 24 full calendar months next following the date of early termination, a disability income benefit, payable in monthly installments, in an amount equal to 50% of the annual rate of Base Compensation provided for under Sections 4.2 below, at the annual salary rate in effect on the date of determination of Disability without further adjustment;

(b) For the period commencing on the date which is 24 full calendar months following the date of early termination, a supplemental disability income benefit equal to $12,000 per month for the period commencing on the date of early termination and ending on January 4, 2018 or Executive's earlier death; and

(c) The right to continued participation in the Company's healthcare plan (referred to in Section 4.5 below) under and subject to the same terms and provisions (including without limitation contribution to premiums, deductibles, co-payments and caps) as are applicable during such period to the Company's executive officers generally.

The Company shall be entitled to credit, against its obligation to pay the foregoing benefits, the amounts received from time to time by Executive pursuant to any disability income insurance policy maintained by the Company or under the Source Interlink Companies, Inc. Supplemental Executive Retirement Plan dated as of March 1, 2005.

3.4. In the event of early termination pursuant to Section 3.1(c), the Company shall thereupon be relieved of its obligations to pay or provide any and all compensation and benefits under Section 4 hereof (except for accrued and unpaid items).

3.5 (a) In the event of early termination pursuant to Section 3.1(d) with Good Reason, the provisions of Section 3.2(a) shall apply.

(b) In the event of early termination pursuant to Section 3.1(d) without Good Reason, the provisions of Section 3.2(b) shall apply.

(c) The occurrence of any of the following events or circumstances shall constitute "GOOD REASON" under this Agreement.

(i) repeated and deliberate failure by the Company to substantially comply with its obligations to pay or provide the compensation, benefits and other amounts due and payable to Executive under Sections 4 and 5 below;

(ii) a material reduction in Executive's duties, responsibilities and authority during the Period of Employment; and

in the case of clause (i) or (ii), the failure or refusal by the Company (and/or any successor in interest to the Company) to initiate corrective action within 30 days after written notice by Executive to the Secretary of the Company setting forth in reasonable detail the conditions alleged to be encompassed by the foregoing clause (i) or (ii);

(iii) a Change of Control (defined in Section 3.5(d)).

(d) The occurrence of any of the following events or circumstances shall constitute a "CHANGE OF CONTROL" under this Agreement.

(i) A change in the composition of the Board, as a result of which fewer than one-half (1/2) of the incumbent directors are directors who either:

(A) had been directors of the Company on the first day of the Period of Employment (the "ORIGINAL DIRECTORS"); or (B) were elected, or nominated for election, to the Board with the affirmative votes of at least a majority of the aggregate of the Original Directors who were still in office at the time of the election or nomination and the directors whose election or nomination was previously so approved (the "CONTINUING DIRECTORS"); or

(ii) Any "PERSON" (defined below) who by the acquisition or aggregation of securities, is or becomes the "BENEFICIAL OWNER" (defined in Rule 13d-3 under the Securities Exchange Act of 1934, as amended), directly or indirectly, of securities of the Company representing 50% or more of the combined voting power of the Company's then outstanding securities ordinarily (and apart from rights accruing under special circumstances) having the right to vote at elections of directors (the "BASE CAPITAL STOCK"); except that any change in the relative beneficial ownership of the Company's securities by any person resulting solely from a reduction in the aggregate number of outstanding shares of Base Capital Stock, and any decrease thereafter in such person's ownership of securities, shall be disregarded until such person increases in any manner, directly or indirectly, such person's beneficial ownership of any securities of the Company; or

(iii) The consummation of a merger or consolidation of the Company with or into another entity or any other corporate reorganization in which the Company is not the acquiring entity for accounting purposes; or

(iv) The consummation of a sale, transfer or other disposition of all or substantially all of the Company's assets.

For purposes of subsection (ii) above, the term "person" shall have the same meaning as when used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended, but shall exclude (1) a trustee or other fiduciary holding securities under an employee benefit plan maintained by the Company or a parent or subsidiary and (2) a corporation owned directly or indirectly by the shareholders of the Company in substantially the same proportions as their ownership of the common stock of the Company.

Any other provision of this Section 3.5(d) notwithstanding, no event shall constitute a Change of Control under this Agreement if: (A) the sole purpose of the event was to change the state of the Company's incorporation or to create a holding company that will be owned in substantially the same proportions by the persons who held the Company's securities immediately before such transaction; (B) the event was contemplated by the Merger Agreement; or (C) following such event, S. Leslie Flegel is employed by the Company or any successor entity with the duties and responsibilities of such entity's principal executive officer.

Section 4. Compensation and Benefits. As consideration for Executive's

undertakings set forth in this Agreement and his/her services hereunder, the Company shall pay and provide to Executive during the Period of Employment hereunder, and Executive hereby agrees to accept, the compensation and benefits described in Sections 4.1, 4.2, 4.3, 4.4, 4.5, 4.6, 4.7 and 4.8 below.

4.1 Concurrently with the execution and delivery of this Agreement, the Company shall pay to Executive, in cash, the sum of Three Hundred Thousand Dollars ($300,000).

4.2. The Company shall pay to Executive Base Compensation in the form of salary at the following annual rates: (a) during the period from the first day of the Period of Employment through and including January 31, 2006--Four Hundred Seventy-Five Thousand Dollars ($475,000); (b) during the period from February 1, 2006 through and including January 31, 2007--Five Hundred Twenty-Five Thousand Dollars ($525,000); (c) during the period from February 1, 2007 through and including January 31, 2008--Six Hundred Thousand Dollars ($600,000); (d) during the period from February 1, 2008 through and including January 31, 2009--Six Hundred Twenty-Four Thousand Dollars ($624,000); and (e) during the period from February 1, 2009 through and including the last day of the Period of Employment--Six Hundred Forty-Nine Thousand Dollars ($649,000); provided however, that such annual rates may be adjusted from time to time by the Compensation Committee of the Board after having taken into account the performance of the Executive and such other factors deemed relevant by such committee. Base Compensation shall be payable in such installments and at intervals prescribed from time to time under the Company's payroll policies and practices, and shall be subject to such withholdings as are required thereunder or by applicable law.

4.3 Executive also shall be entitled to receive a bonus (the "Annual Bonus") each year during the Period of Employment in an amount equal to the greater of:

(a) 50% of Executive's Base Compensation as in effect for such year; or

(b) Such other amount as the Company's Chief Executive Officer may recommend, and the Compensation Committee of the Board of the Company may approve, based on such criteria, as they shall have established in their sole and absolute discretion.

Executive's Annual Bonus shall be payable as follows: (A) on the first day of the Company's first fiscal quarter commencing after the first day of the Period of Employment, and continuing thereafter on the first day of each succeeding fiscal quarter, the Company shall pay to Executive a portion of the Annual Bonus (the "Guaranteed Bonus") equal to 12.5% of Executive's Base Compensation as then in effect except that during the period ending on January 31, 2006 no quarterly

payment shall be less than Sixty-Two Thousand Five Hundred Dollars ($62,500), and (B) not more than 90 days after the end of each fiscal year concluded during the Period of Employment, the Company shall pay to Executive a sum equal to the positive difference, if any, between the Annual Bonus and the aggregate amounts paid by the Company during the then most recently concluded fiscal year pursuant to the immediately preceding clause (A).

4.4. The Company shall permit Executive to participate in all stock option, stock purchase, stock bonus and other equity-based incentive plans and programs (if any) as may be approved by the Board or its Compensation Committee and as the Company chooses to maintain from time to time with respect to its executive officers generally. Executive's level of participation and entitlements (if any) thereunder shall be subject to the eligibility requirements and all other terms and provisions of such plans and programs (including without limitation amendment and termination), and the determinations of their duly appointed administrators.

4.5 The Company shall permit Executive to participate in all healthcare, supplemental medical expense reimbursement, retirement, life insurance and disability income plans and programs as may be duly adopted and as the Company chooses to maintain from time to time with respect to its executive officers and/or employees generally. Executive's level of participation and benefits thereunder shall be subject to the eligibility requirements and all other terms and provisions of such plans and programs (including without limitation amendment and termination), and the determinations of their duly appointed administrators.

4.6. Executive shall be entitled to 20 business days vacation on an annual basis and all holidays provided under Company policy. For any calendar year during which Executive is employed for only a portion of the year, Executive shall be entitled to the appropriate proportion of the vacation days. Vacation days will not be cumulative, will accrue only for the current year, and must be taken by Executive during the calendar year in which the vacation time accrues. Vacation days will not be converted into cash. Executive shall arrange his vacation so as not to conflict with the needs of the Company.

4.7. The Company shall pay directly, or shall reimburse Executive for, such all items of expense incurred by Executive in the operation and maintenance (including, without limitation, all reasonably necessary insurance premiums) of one automobile.

4.8. The Company shall pay directly, or shall reimburse Executive for, such all dues and other charges of one country club incurred by Executive in furtherance of the Company's business.

Section 5. Expenses and Indemnification.

5.1. The Company shall pay directly, or shall reimburse Executive for, such items of reasonable and necessary expense as are incurred by Executive in the interest of the business of the Company. All such expenses paid by Executive shall be reimbursed by the Company upon the presentation by Executive of an itemized account of such expenditures, sufficient to support their deductibility by the Company for federal income tax purposes (without regard to whether or not the Company's deduction for such expenses is limited for federal income tax purposes), such submissions to be made within thirty (30) days after the date such expenses are incurred.

5.2. In addition to such rights of indemnification as are provided to Executive by the Certificate of Incorporation and/or Bylaws of the Company and its subsidiaries, the Company agrees that, absent a written opinion of independent legal counsel that it would be unlawful to do so, the Company shall promptly pay or advance all costs and expenses (including without limitation attorneys fees) reasonably incurred by Executive in defense of any and all claims, causes of action and charges which may be threatened, asserted or filed against him/her in any judicial, governmental or arbitration proceedings, inquiry or investigation (whether of a civil or criminal nature), arising out of his/her employment under this Agreement or the performance in good faith of his/her duties hereunder, other than such claims, causes of action or charges that may be initiated against Executive upon approval by the Board or the Chief Executive Officer. Executive hereby agrees to promptly reimburse to the Company all such costs and expenses as have been paid or advanced by the Company if it is finally determined as a matter of law that Executive was not entitled to be indemnified for them by the Company. In addition, Executive shall remit to the Company the proceeds of any insurance received by him to defray such costs and expenses as have been paid or advanced by the Company.

Section 6. Protection of Confidential Information and Property.

6.1. Executive acknowledges that, except for information that from time to time has been properly disclosed by the Company in public filings and announcements and commercial dealings, the Company has or may have a legitimate need for and/or interest in protecting the confidentiality of all information and data pertaining to the business and affairs of the Company and its subsidiaries, including without limitation information and data relating to (i) manufacturing operations and costs, (ii) distribution and servicing methods and costs, (iii) merchandising techniques, (iv) sales and promotional methods, (v) customer, vendor and personnel relationships and arrangements, (vi) research and development projects, (vii) information and data processing technologies, and (viii) strategic and tactical plans and initiatives (all such information and data, other than that which has been properly disclosed as aforesaid, being hereinafter referred to as "CONFIDENTIAL INFORMATION").

6.2. Executive acknowledges that, in the course of his employment, (i) he has participated and/or will participate in the development of Confidential Information, (ii) he has

been and/or will be involved in the use and application of Confidential Information for corporate purposes, and (iii) he otherwise has been and/or will be given access to and entrusted with Confidential Information for corporate purposes.

6.3. Executive agrees that, during the term of his employment under this Agreement, he shall possess and use the Confidential Information solely and exclusively to protect and advance the interests of the Company and its subsidiaries; and that at all times thereafter, he (i) shall continue to treat the Confidential Information as proprietary to the Company, and (ii) shall not make use of, or divulge to any third party, all or any part of the Confidential Information unless and except to the extent so authorized in writing by the Company or required by judicial, legislative or regulatory process.

6.4. Executive acknowledges that, in the course of his employment, he will create and/or be furnished with (i) materials that embody or contain Confidential Information (in written and electronic form) and (ii) other tangible items that are the property of the Company and its subsidiaries. Executive agrees that, upon expiration or other termination of his term of employment under this Agreement, or sooner if the Company so requests, he shall promptly deliver to the Company all such materials and other tangible items so created and/or furnished, including without limitation drawings, blueprints, sketches, manuals, letters, notes, notebooks, reports, lists of customers and vendors, personnel lists, computer disks and printouts, computer hardware and printers, and that he shall not retain any originals or copies of such materials, or any of such tangible items, unless and except to the extent so authorized in writing by the Company.

6.5. Executive agrees to inform all prospective employers of the content of this Section 6 and of Section 7 of this Agreement prior to his acceptance of future employment.

Section 7. Restrictions against Competition and Solicitation.

7.1. Executive agrees that, during the term of his employment hereunder and during the Restricted Period (defined in Section 7.2 below), he shall not in any way, directly or indirectly, manage, operate, control, accept employment or a consulting position with or otherwise advise or assist or be connected with, or own or have any financial interest in, any Competitive Enterprise (defined in Section 7.2 below).

7.2. For purposes of this Section 7:

(a) "RESTRICTED PERIOD" means the greater of:

(i) Period of Employment plus the period of twelve months next following expiration of the Period of Employment; or

(ii) the period during which Executive is receiving payments or benefits from the Company pursuant to Section 3.2(a), 3.3, or 3.5(a) of this Agreement; or

(iii) the period of 24 months next following early termination of the Period of Employment other than without Proper Cause or for Good Reason.

(b) "COMPETITIVE ENTERPRISE" means any person or business organization engaged, directly or indirectly, in the business of (i) designing, manufacturing and marketing front-end fixtures, shelving and other display equipment and accessories for use by retail stores; (ii) designing, manufacturing and marketing custom wood fixtures, furnishings and millwork for use by commercial enterprises, (iii) distribution and fulfillment of magazines, books, pre-recorded music, video and video games, and other merchandise, (iv) rendering third party billing and collection services with respect to claims for manufacturer rebates and incentive payments payable to retailers respecting the sale of magazines, periodicals, confections and general merchandise, and/or (v) providing sales and marketing data and analyses to retailers and vendors of products distributed by the Company.

7.3. Without limitation of the Company's rights and remedies under this Agreement or as otherwise provided by law or in equity, it is understood and agreed between the parties that the right of Executive to receive and retain any payments otherwise due under this Agreement shall be suspended and canceled if and for so long as he is in violation of the foregoing covenant not to compete.

7.4. If the Period of Employment hereunder shall have been terminated without Proper Cause pursuant to Section 3.1(a) or 3.1(d) for Good Reason, and if Executive shall have duly complied with and observed the covenants of Section 6 and this Section 7, Executive may, at his election, be discharged from the covenants of Section 7.1 at any time on or before the thirtieth (30th) day following such termination by filing with the Company a duly executed statement (in form and content reasonably satisfactory to the Board) releasing the Company and its

subsidiaries (and, if applicable, its insurance carriers) from any and all obligations it (or they) may have by reason of such termination (except for accrued and unpaid items).

7.5. Executive agrees further that, during the Restricted Period, he will not, directly or indirectly, either for himself or on behalf of any other person

or entity, employ or attempt to employ or solicit the employment or services of any person who is at that time, or has been within six months immediately prior thereto, employed by the Company or any subsidiary of the Company.

Section 8. Injunctive Relief and Costs.

8.1. Executive acknowledges that any violation of or failure to comply with the provisions of Sections 6, 7.1 and 7.5 of this Agreement may cause substantial and irreparable harm to the Company and its subsidiaries (and their constituencies), and that the nature and magnitude of the harm may be difficult or impossible to measure precisely or to compensate adequately with monetary damages.

8.2. Executive agrees that the Company shall have the right to enforce his/her performance of and compliance with any and all provisions of Sections 6, 7.1 and 7.5 by seeking a restraining order and/or an order of specific performance and/or other injunctive relief against Executive from a court of competent jurisdiction, at any time or from time to time, if it appears that Executive has violated or is about to violate any such provision.

8.3. Executive further agrees that he/she shall be liable for reimbursement of all costs and expenses incurred by the Company and its subsidiaries (including without limitation reasonable attorneys' fees) in connection with any judicial proceeding or arbitration arising out of any violation of or failure to comply with the provisions of Sections 6, 7.1 and 7.5.

8.4. The provisions of this Section 8 are in addition to, and not in lieu of, any other rights and remedies that may be available to the Company for breach of any portion of this Agreement.

Section 9. Compliance with Law and Company Policies.

9.1. Executive warrants and represents to the Company that he/she is not now under any legal or contractual duty or obligation which could prevent, limit or impair in any way his/her full and faithful performance of this Agreement. Executive shall indemnify and hold the Company harmless from and against any claim, loss, damage, liability, cost or expense (including without limitation reasonable attorneys' fees) incurred by or asserted against the Company arising out of or in connection with any breach of this representation and warranty.

9.2. Executive acknowledges that he/she has received and read and understands the intent and purposes of the Company's Code of Business Code and Ethics. Executive shall comply with all lawful rules and policies of the Company, as in effect from time to time.

9.3. Nothing contained in this Agreement shall be interpreted, construed or

applied to require the commission of any act contrary to law and whenever there is any conflict between any provision of this Agreement and any statute, law ordinance, order or regulation, the latter shall prevail; but in such event any such provision of this Agreement shall be curtailed and limited only to the extent necessary to bring it within applicable legal requirements.

9.4. Executive acknowledges and agrees that, notwithstanding anything to the contrary in this Agreement, he/she shall not be entitled to, and this Agreement does not confer on Executive, any benefits that constitute (or which, in the Company's good faith determination based on the advice of counsel, would likely constitute) a personal loan in violation of Section 402 of the Sarbanes-Oxley Act of 2002, including any implementing regulations thereunder, or any similar provision of applicable law (collectively, "Section 402"). In the event that the Company, in good faith and upon the advice of counsel, determines that any provision of this Agreement would, absent this Section, give rise to a potential violation of Section 402, Executive and the Company shall promptly negotiate, in good faith, towards an appropriate amendment to this Agreement that would eliminate such potential violation, but which would, as closely as reasonably possible, afford both the Company and Executive, the same relative economic benefits of their bargain hereunder prior to such amendment.

Section 10. Effect of Business Combination Transactions. In the event of the merger or consolidation of the Company with any unrelated corporation or corporations, or of the sale by the Company of a major portion of its assets or of its business and good will to an unrelated third party, this Agreement shall remain in effect and be assigned and transferred to the Company's successor in interest as an asset of the Company, and the Company shall cause such assignee to assume the Company's obligations hereunder; and in such event Executive hereby confirms his/her agreement to continue to perform his/her duties and responsibilities according to the terms and conditions hereof for such assignee or transferee of this Agreement. It is understood and agreed, however, that the scope of Executive's services under Section 1.1 hereof shall be appropriately modified, at the election of such successor, to cover the segment of such successor's enterprise represented by the Company's assets and operations at the time of such aforementioned transaction.

Section 11. Successors and Assigns.

11.1. This Agreement shall be binding upon, and shall inure to the benefit of, Executive and the Company and their respective permitted successors, assigns, heirs, legal representatives and beneficiaries.

11.2 Except as required by law, no right to receive payments under this Agreement shall be subject to anticipation, commutation, alienation, sale, assignment, encumbrance, charge, pledge or hypothecation or to execution, attachment, levy, or similar process or assignment by operation of law, and any attempt, voluntary or involuntary, to effect any such action shall be null, void and of no effect; provided, however, that nothing in this Section 10 shall preclude the assumption of such rights by executors, administrators or other legal representatives of Executive or his estate and their assigning any rights hereunder to the person or persons entitled thereto.

Section 12. Notices. Any and all notices required or permitted to be given under this Agreement shall be sufficient if furnished in writing and personally delivered, or if sent by registered or certified mail to the last known residence address of Executive or to the Company, Attention: Chief Executive Officer, 27500 Riverview Center Blvd., Suite 400, Bonita Springs, Florida 34134, or such other place as Executive or the Company may designate in writing to the other for these purposes.

Section 13. Miscellaneous.

13.1. The waiver by either party of a breach or violation of any provision of this Agreement shall not operate as or be construed to be a waiver of any subsequent breach hereof.

13.2. The headings to the Sections hereof are for convenience of reference only, and in case of any conflict, the text of this Agreement, rather than the headings, shall control.

13.3. This Agreement sets forth the entire understanding of the parties in respect of the subject matter contained herein and supersedes all prior agreements, arrangements and understandings relating to the subject matter and may only be amended by a written agreement signed by both parties hereto or their duly authorized representatives. Except as expressly stated herein, however, nothing in this Agreement shall be deemed to affect the Company's duties and obligations, or Executive's rights and benefits, under the Company's existing under the Company's existing Source Interlink Companies 401(k).

13.4. Should a court or arbitrator declare any provision hereof to be invalid, such declaration shall not affect the validity of the Agreement as a whole or any part thereof, other than the specific portion declared to be invalid.

13.5. This Agreement shall be interpreted, construed and governed according to the laws of the State of Florida.

13.6. Any claim, controversy or dispute arising with respect to this Agreement between the parties hereto or anyone claiming under or on behalf of either of the parties (a " Dispute"), other than a Dispute to which Section 8 hereof applies, shall be submitted to final and binding arbitration in accordance with the following:

(a) Any party to an unresolved Dispute may file a written Demand for Arbitration pursuant to this Section 13.5 with the Regional Office of the American Arbitration Association nearest to Bonita Springs, and shall simultaneously send a copy of such Demand to the other party or parties to such

Dispute;

(b) Arbitration proceedings under this Section 13.6 shall be conducted in accordance with the Commercial Arbitration Rules of the American Arbitration Association, except that all decisions and awards rendered shall be accompanied by a written opinion setting forth the rationale for such decisions and awards;

(c) Venue for all evidentiary hearings conducted in such proceedings shall be in Lee or Collier County, Florida, as determined by the Arbitrator.

(d) Unless otherwise agreed by the parties thereto, arbitration proceedings under this Section 13.6 shall be conducted before one impartial arbitrator selected through the procedures of the American Arbitration Association. On all matters, the decisions and awards of the arbitrator shall be determinative.

(e) To the extent practicable, the arbitration proceedings under this Section 13.6 shall be conducted in such manner as will enable completion within sixty (60) days after the filing of the Demand for Arbitration hereunder.

(f) The arbitrator may award attorney's fees and costs of arbitration to the substantially prevailing party. Unless and except to the extent so awarded, the costs of arbitration shall be shared equally by the parties, and each party shall bear the fees and expenses of its own attorney. Punitive damages shall not be allowed by the arbitrator. The award may be enforced in such manner as allowed by law.

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Agreement as of the date first written above.

SOURCE INTERLINK COMPANIES, INC.

By: /s/ S. Leslie Flegel

Name: S. Leslie Flegel
Title: Chairman & Chief Executive Officer

/s/ James R. Gillis

James R. Gillis

EXHIBIT 10.21

EXECUTIVE EMPLOYMENT AGREEMENT

ENTERED INTO on March 1, 2005 by and between S. LESLIE FLEGEL ("EXECUTIVE"), an individual presently domiciled in Naples, Florida, and SOURCE INTERLINK COMPANIES, INC. (the "COMPANY"), a Missouri corporation having its corporate headquarters in Bonita Springs, Florida.

WHEREAS, Executive was the founder of the Company and is currently employed as its Chief Executive Officer under an Employment and Non-Competition Agreement dated as of May 21, 2003, and

WHEREAS, the Company's Board of Directors (the "BOARD") desires to assure the continued benefit of Executive's services and experience following the merger provided for under the Agreement and Plan of Merger dated November 18, 2004 by and among the Company, Alliance Entertainment Corp. and Alligator Acquisition, LLC, and

WHEREAS, Executive desires to continue in the employ of the Company until January 31, 2010 under the terms and provisions set forth in this Agreement, and

WHEREAS, Executive and the Company have agreed to enter into a Consulting Agreement (the "CONSULTING AGREEMENT"), in substantially the form attached hereto as EXHIBIT A, pursuant to which Executive will be required to make himself available to serve the Company and its subsidiaries as an independent consultant for an additional five-year period after expiration of the term of employment of Executive under this Agreement,

NOW, THEREFORE, with the intent to be legally bound, the Company and Executive do hereby covenant and agree as follows.

Section 1. Employment of Executive.

1.1. The Company hereby agrees to employ Executive in the position described in Section 1.2 below, and Executive hereby accepts such employment, under the terms and provisions set forth in this Agreement.

1.2. During the Period of Employment (defined in Section 2.1 below), Executive shall serve in the position of Chief Executive Officer of the Company, based at the Company's corporate headquarters in Bonita Springs, Florida, reporting directly to the Board. Executive shall have the usual and customary duties, responsibilities and authority of chief executive officer, and shall perform such other and additional duties and responsibilities (including without limitation development and implementation of a leadership succession plan in collaboration with the Board) as are consistent with that position and as the Board may reasonably require.

1.3. Unless prohibited by the Company's Bylaws or any laws, rules or

regulations applicable to the Company, Executive shall also be nominated for election by the Company's

stockholders to the position of, and shall serve as, a member and Chairman of the Board of Directors throughout the Period of Employment under this Agreement.

1.4. Executive shall devote substantially all of his working time, attention and energy using his best efforts to the performance of his duties and responsibilities, and shall apply the level of skill, diligence, energy, and cooperation to protecting and advancing the interests of the Company and its subsidiaries as can be reasonably expected from a faithful, dedicated, experienced and prudent corporate executive under similar circumstances.

Section 2. Term of Employment.

2.1. The term of employment of Executive under this Agreement shall be the period commencing March 1, 2005 and ending on January 31, 2010 (the "PERIOD OF EMPLOYMENT").

2.2. The term of Executive's employment under this Agreement will expire on January 31, 2010. As set forth in Section 10 below, the Company and Executive have agreed to enter into a consulting relationship that will become effective for a period of five years commencing February 1, 2010.

Section 3. Early Termination.

3.1. Notwithstanding the provisions of Section 2.1 hereof, the Period of Employment shall be subject to early termination at any time:

(a) at the Company's election, by dismissal of Executive from employment with or without Proper Cause (defined in Section 3.2 below) pursuant to resolution of the Board, or

(b) at the Company's election, upon determination of Disability of Executive pursuant to Section 3.3 below, or

(c) upon death of Executive, or

(d) at Executive's election, by voluntary resignation upon 30 days' advance written notice, with or without Good Reason (defined in Section 3.5 below).

In the event of early termination pursuant to the foregoing paragraphs (a), (b), (c) or (d), the Company's obligations to Executive shall be as set forth in Sections 3.2, 3.3, 3.4 or 3.5, respectively; and Executive shall have no other rights or claims under this Agreement except for (i) reimbursement of previously incurred expenses pursuant to Section 5(a) below and (ii) indemnification pursuant to Section 5(b) below.

3.2. (a) In the event of early termination pursuant to Section 3.1(a) without Proper Cause and provided that Executive executes and delivers an agreement containing covenants substantially similar to those contained in Section 7 hereof (but establishing a Restricted Period of three (3) years), the Company shall be and remain obligated to pay to Executive, within five

(5) business days after such early termination (or such longer period during which such payments are prohibited under applicable law, rules or regulations), in cash, an amount equal to the sum of:

(i) The Base Compensation provided for under Section 4.2 below at the annual salary rate then in effect without further adjustment for the remainder of the Period of Employment;

(ii) The fixed Retainer Fee provided under Section 3.1 of the Consulting Agreement for the entire Period of Engagement (defined in the Consulting Agreement);

(iii) the product of $900,000 times the number of fiscal years remaining to be concluded during the Period of Employment;

(iv) an amount equal to (A) $3.5 million if such early termination occurs during the Company's 2006 fiscal year, (B) $4.375 million if such early termination occurs during the Company's 2007 fiscal year, and (C) $5.25 million if such early termination occurs during the Company's 2008 fiscal year, in full settlement of Executive's interest in the Challenge Grant Program described in Section 4.4; and

(v) Until the earlier of January 31, 2010 or his death, the right to continued participation in the Company's healthcare plans (referred to in Section 4.6 below) under and subject to the same terms and provisions (including without limitation contribution to premiums, deductibles, co-payments and caps) as are applicable during such period to the Company's executive officers generally in the same manner as if Executive continued to be employed by the Company.

(b) In the event of early termination pursuant to Section 3.1(a) with Proper Cause, the Company shall thereupon be relieved of its obligations to pay or provide any and all compensation and benefits under Section 4 hereof (except for accrued and unpaid items).

(c) The occurrence of any of the following events or circumstances shall constitute "PROPER CAUSE" for dismissal of Executive from employment under this Agreement:

(i) Disclosure to third parties of trade secrets or other

Confidential Information (defined in Section 6 below), or any other misuse or misappropriation thereof, by Executive in violation of the obligations imposed by Section 6 hereof;

(ii) Violation by Executive of the restrictions imposed by Section 7 of this Agreement on competitive activities by Executive;

(iii) Abandonment by Executive of his employment with the Company or any subsidiary or repeated and deliberate failure or refusal by Executive to fulfill his duties and responsibilities under this Agreement in any material respect and Executive's failure or refusal to initiate corrective action within 30 days after written notice by the Company setting forth in reasonable detail the conditions alleged to be encompassed by the foregoing clause;

(iv) Perpetration of any act of financial dishonesty or theft materially affecting the Company or any of its subsidiaries;

(v) Willful, reckless or grossly negligent conduct by Executive entailing a material violation of the laws or governmental regulations or orders applicable to the Company or its subsidiaries, or imposition by any court or governmental agency of any material restriction upon Executive's ability to perform his duties and responsibilities hereunder;

(vi) Repeated and deliberate failure or refusal by Executive to comply with lawful and ethical policies of the Company or lawful and ethical directives of the Board;

(vii) Conviction of Executive of a crime in any federal, state or foreign court, or entry of any governmental decree or order against Executive based upon violation of any federal, state or foreign law, and the determination by the Board, made in its reasonable discretion, that, in the circumstances, the continued association of Executive with the Company will, more likely than not, have a material adverse effect upon the Company, its business or its reputation.

3.3. The term of employment of Executive under this Agreement may be terminated at the election of the Company upon a determination by the Board, made in its sole discretion, that Executive is, or will be, unable, by reason of physical or mental incapacity ("DISABILITY") whether caused by accident, illness, disease or otherwise, to substantially perform the material duties and responsibilities assigned to him pursuant to this Agreement for a period longer than 90 consecutive days or more than 180 days in any consecutive 12-month period. In the exercise of its discretion, the Board shall give due consideration to, among such other factors as it deems appropriate to the best interests of the Company, the opinion of Executive's personal physician or physicians and the opinion of any physician or physicians selected by the Board for these purposes. Executive shall submit to examination by any physician or

physicians so selected by the Board, and shall otherwise cooperate with the Board in making the determination contemplated hereunder (such cooperation to include without limitation consenting to the release of information by any such physician(s) to the Board). In the event of early termination for Disability pursuant to Section 3.1(b), the Company shall thereupon be relieved of its obligations to pay or provide any and all compensation and benefits under Section 4 hereof, other than as set forth below (and except for accrued and unpaid items), but shall be obligated to provide to Executive or the Beneficiary (defined in Section 4.10):

(a) For the period commencing on the date of early termination and ending on the earliest to occur of his death, January 31, 2010 or the expiration of 24 full calendar months next following the date of early termination, a disability income benefit, payable in monthly installments, in an amount equal to 33 1/3% of the annual rate of Base Compensation provided for under Section 4.2 below, at the annual salary rate in effect on the date of determination of Disability without further adjustment;

(b) a payment equal to the short term incentive payment described in Section 4.3 times a fraction the numerator of which is the number of months during the then current fiscal year in which Executive served the Company and the denominator of which is 12;

(c) For the period commencing on the date of early termination and ending on the earliest to occur of his death, January 31, 2010 or the expiration of 24 full calendar months next following the date of early termination, the right to continued participation in the Company's healthcare plans (referred to in Section 4.6 below) under and subject to the same terms and provisions (including without limitation contribution to premiums, deductibles, co-payments and caps) as are applicable during such period to the Company's executive officers generally in the same manner as if Executive continued to be employed by the Company; and

(d) The Death Benefit Amount (defined in Section 4.10) not later than 90 days after the death of Executive, without regard to the date of Executive's death.

The Company shall be entitled to credit, against its obligation to pay such disability income benefit, the amounts received from time to time by Executive pursuant to any disability income insurance policy maintained by the Company;

3.4. In the event of early termination pursuant to Section 3.1(c), the Company shall thereupon be relieved of its obligations to pay or provide any and all compensation and benefits under Section 4 hereof, other than as set forth below (and except for accrued and unpaid items), but shall be obligated to provide to Executive or the Beneficiary (defined in Section 4.10):

(a) a payment equal to the short term incentive payment described in Section 4.3 times a fraction the numerator of which is the number of months during the then current fiscal year in which Executive served the Company and the denominator of which is 12; and

(b) The Death Benefit Amount (defined in Section 4.10) not later than 90 days after the death of Executive, without regard to the date of Executive's death.

3.5. (a) In the event of early termination pursuant to Section 3.1(d) by Executive for Good Reason, the provisions of Section 3.2(a) shall apply.

(b) In the event of early termination pursuant to Section 3.1(d) by Executive without Good Reason, the Company shall thereupon be relieved of its obligations to pay or provide any and all compensation and benefits under Section 4 hereof (except for accrued and unpaid items).

(c) The occurrence of any of the following events or circumstances shall constitute "GOOD REASON" under this Agreement.

(i) repeated and deliberate failure by the Company to substantially comply with its obligations to pay or provide the compensation, benefits and other amounts due and payable to Executive under Sections 4 and 5 below;

(ii) a material reduction in Executive's duties, responsibilities and authority during the Period of Employment;

(iii) Failure or refusal by the Company to execute and deliver the Consulting Agreement as required by Section 10;

(iv) Failure or refusal by the Company (and/or any successor in interest to the Company) to comply with the duties and obligations imposed upon the Company by Section 11 in a due, proper and timely manner; and

in any such case, the failure or refusal by the Company (and/or any successor in interest to the Company) to initiate corrective action within 30 days after written notice by Executive to the Secretary of the Company setting forth in reasonable detail the conditions alleged to be encompassed by the foregoing clause (i), (ii), (iii) or (iv) as the case may be.

(v) a Change of Control (defined in Section 3.5(d)).

(d) The occurrence of any of the following events or circumstances shall constitute a "CHANGE OF CONTROL" under this Agreement.

(i) A change in the composition of the Board, as a result of which fewer than one-half (1/2) of the incumbent directors are directors who either: (A) had been directors of the Company on the first day of the Period of Employment (the "ORIGINAL DIRECTORS"); or (B) were elected, or nominated for election, to the Board with the affirmative votes of at least a majority of the aggregate of the Original Directors who were still in office at the time of the election or nomination and the directors whose election or nomination was previously so approved (the "CONTINUING DIRECTORS"); or

(ii) Any "PERSON" (defined below) who by the acquisition or aggregation of securities, is or becomes the "BENEFICIAL OWNER" (defined in Rule 13d-3 under the Securities Exchange Act of 1934, as amended), directly or indirectly, of securities of the Company representing 50% or more of the combined voting power of the Company's then outstanding securities ordinarily (and apart from rights accruing under special circumstances) having the right to vote at elections of directors (the "BASE CAPITAL STOCK"); except that any change in the relative beneficial ownership of the Company's securities by any person resulting solely from a reduction in the aggregate number of outstanding shares of Base Capital Stock, and any decrease thereafter in such person's ownership of securities, shall be disregarded until such person increases in any manner, directly or indirectly, such person's beneficial ownership of any securities of the Company; or

(iii) The consummation of a merger or consolidation of the Company with or into another entity or any other corporate reorganization in which the Company is not the acquiring entity for accounting purposes; or

(iv) The consummation of a sale, transfer or other disposition of all or substantially all of the Company's assets.

For purposes of subsection (ii) above, the term "person" shall have the same meaning as when used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended, but shall exclude (1) a trustee or other fiduciary holding securities under an employee benefit plan maintained by the Company or a parent or subsidiary and (2) a corporation owned directly or indirectly by the shareholders of the Company in substantially the same proportions as their ownership of the common stock of the Company.

Any other provision of this Section 3.5(d) notwithstanding, no event shall constitute a Change of Control under this Agreement if: (A) the sole purpose of the event was to change the state of the Company's incorporation or to create a holding company that will be owned in substantially the same proportions by the persons who held the Company's securities immediately before such transaction; or (B) the event was contemplated by the that certain Agreement and Plan of Merger, dated November 18, 2004, by and among Source Interlink Companies, Inc.,

Alliance Entertainment Corp. and Alligator Acquisition, LLC.

Section 4. Compensation and Benefits. As consideration for Executive's undertakings set forth in this Agreement and his services hereunder, the Company shall pay and provide to Executive during the Period of Employment hereunder, and Executive hereby agrees to accept, the compensation and benefits described in Sections 4.1 through 4.10, inclusive below, and the Company shall pay or provide the Death Benefit Amount and Gross-Up Amount (each defined in Section 4.10 below) to the Beneficiary (therein defined).

4.1 Concurrently with the execution and delivery of this Agreement, the Company shall pay to Executive, in cash, the sum of Seven Hundred Fifty Thousand Dollars ($750,000).

4.2. During the Period of Employment, the Company shall pay to Executive Base Compensation in the form of salary at an annual rate of Nine Hundred Fifteen Thousand Dollars ($915,000). Base Compensation shall be payable in such installments and at intervals prescribed from time to time under the Company's payroll policies and practices, and shall be subject to such withholdings as are required thereunder or by applicable law.

4.3 Executive also shall be entitled to receive a short term incentive payment following each fiscal year ended during the Period of Employment, if and to the extent earned, but subject to the maximum amount specified, under the "Short Term Incentive Program" set forth in EXHIBIT B attached hereto. The short term incentive payment shall be paid at the times and in the manner set forth in the Short Term Incentive Program.

4.4 Executive also shall be entitled to participate in the Source Interlink Companies, Inc. Challenge Grant Program a copy of which is set forth in EXHIBIT C attached hereto, and to receive a disbursement equal to 35% of the Aggregate Payout made pursuant thereto, if and to the extent earned under the terms and conditions thereof.

4.5. The Company shall permit Executive to participate in all stock option, stock purchase, stock bonus and other equity-based incentive plans and programs (if any) as may be approved by the Board or its Compensation Committee and as the Company chooses to maintain

from time to time with respect to its executive officers generally. Executive's level of participation and entitlements (if any) thereunder shall be subject to the eligibility requirements and all other terms and provisions of such plans and programs (including without limitation amendment and termination), and the determinations of their duly appointed administrators.

4.6 The Company shall permit Executive to participate in all healthcare,

supplemental medical expense reimbursement, retirement, life insurance and disability income plans and programs as may be duly adopted and as the Company chooses to maintain from time to time with respect to its executive officers and/or employees generally. Executive's level of participation and benefits thereunder shall be subject to the eligibility requirements and all other terms and provisions of such plans and programs (including without limitation amendment and termination), and the determinations of their duly appointed administrators.

4.7. Executive shall be entitled to 20 business days vacation on an annual basis and all holidays provided under Company policy. For any calendar year during which Executive is employed for only a portion of the year, Executive shall be entitled to the appropriate proportion of the vacation days. Vacation days will not be cumulative, will accrue only for the current year, and must be taken by Executive during the calendar year in which the vacation time accrues. Vacation days will not be converted into cash. Executive shall arrange his vacation so as not to conflict with the needs of the Company.

4.8. The Company shall pay directly, or shall reimburse Executive for, all items of expense incurred by Executive in the operation and maintenance (including, without limitation, all reasonably necessary insurance premiums) of one automobile.

4.9. The Company shall pay directly, or shall reimburse Executive for, all dues and other charges of one country club incurred by Executive in furtherance of the Company's business.

4.10.(a) The Company shall pay to such person or persons then most recently designated by Executive (the "Beneficiary") by written notice to the Company given in accordance with Section 13, the sum of Two Million Dollars ($2,000,000) (the "DEATH BENEFIT AMOUNT") not later than 90 days after the death of Executive, if his date of death occurs on or before March 1, 2015.

(b) The Company shall be deemed to have satisfied its obligation set forth in Section 4.10(a) above if the Company shall have caused one or more policies of insurance to be issued on the life of Executive by one or more underwriters of recognized standing and duly licensed in the State of Florida, with benefits payable to the Beneficiary upon death of Executive on or before March 1, 2015 in the amount of Two Million Dollars (in aggregate), shall have caused the ownership of such policy or policies to be fully vested in the Beneficiary, and shall pay all premiums required to be paid in order that such policy or policies will remain in full force and effect until the earlier of March 1, 2015 or Executive's death. Simultaneously with the payment of any premium installment, the Company shall also pay to Executive an amount equal to: (the premium paid divided by (100%-highest federal income tax percentage rate)) minus the premium paid.

(c) If the Company has not satisfied its obligation under Section 4.10(a) in the manner allowed by Section 4.10(b), then, simultaneously with the payment to the Beneficiary of the Death Benefit Amount, the Company shall also pay to the Beneficiary an amount (the "GROSS-UP AMOUNT") derived by application of the following formula: (Death Benefit Amount divided by (100%-highest federal income tax percentage rate)) minus the Death Benefit Amount.

(d) The Company may cause one or more additional policies of insurance to be issued on the life of Executive with benefits payable to the Beneficiary and/or Company upon death of Executive.

Section 5. Expenses and Indemnification.

5.1. The Company shall pay directly, or shall reimburse Executive for, such items of reasonable and necessary expense as are incurred by Executive during the Period of Employment in the interest of the business of the Company. All such expenses paid by Executive shall be reimbursed by the Company upon presentation by Executive of an itemized account of such expenditures, sufficient to support their deductibility by the Company for federal income tax purposes (without regard to whether or not the Company's deduction for such expenses is limited for federal income tax purposes), such submissions to be made within 30 days after the date such expenses are incurred.

5.2. In addition to such rights of indemnification as are provided to Executive by the Certificate of Incorporation and/or Bylaws of the Company and its subsidiaries, the Company agrees that, absent a written opinion of independent legal counsel that it would be unlawful to do so, the Company shall promptly pay or advance all costs and expenses (including without limitation attorneys' fees) reasonably incurred by Executive in defense of any and all claims, causes of action and charges which may be threatened, asserted or filed against him in any judicial, governmental or arbitration proceedings, inquiry or investigation (whether of a civil or criminal nature), arising out of his employment under this Agreement or the performance in good faith of his duties hereunder, other than such claims, causes of action or charges that may be initiated against Executive upon approval by the Board. Executive hereby agrees to promptly reimburse to the Company all such costs and expenses as have been paid or advanced by the Company if (and to the extent) it is finally determined as a matter of law that Executive was not entitled to be indemnified for them by the Company. In addition, Executive shall remit to the Company the proceeds of any insurance received by him to defray such costs and expenses as have been paid or advanced by the Company.

Section 6. Protection of Confidential Information and Property.

6.1. Executive acknowledges that, except for information that from time to time has been properly disclosed by the Company in public filings and announcements and commercial dealings, the Company has or may have a legitimate need for and/or interest in protecting the confidentiality of all information and data pertaining to the business and affairs of the Company and its subsidiaries, including without limitation information and data relating to (i)

manufacturing operations and costs, (ii) distribution and servicing methods and costs,

(iii) merchandising techniques, (iv) sales and promotional methods, (v) customer, vendor and personnel relationships and arrangements, (vi) research and development projects, (vii) information and data processing technologies, and (viii) strategic and tactical plans and initiatives (all such information and data, other than that which has been properly disclosed as aforesaid, being hereinafter referred to as "CONFIDENTIAL INFORMATION").

6.2. Executive acknowledges that, in the course of his employment, (i) he has participated and/or will participate in the development of Confidential Information, (ii) he has been and/or will be involved in the use and application of Confidential Information for corporate purposes, and (iii) he otherwise has been and/or will be given access to and entrusted with Confidential Information for corporate purposes.

6.3. Executive agrees that, during the term of his employment under this Agreement, he shall possess and use the Confidential Information solely and exclusively to protect and advance the interests of the Company and its subsidiaries; and that at all times thereafter, he (i) shall continue to treat the Confidential Information as proprietary to the Company, and (ii) shall not make use of, or divulge to any third party, all or any part of the Confidential Information unless and except to the extent so authorized in writing by the Company or required by judicial, legislative or regulatory process.

6.4. Executive acknowledges that, in the course of his employment, he will create and/or be furnished with (i) materials that embody or contain Confidential Information (in written and electronic form) and (ii) other tangible items that are the property of the Company and its subsidiaries. Executive agrees that, upon expiration or other termination of his term of employment under this Agreement, or sooner if the Company so requests, he shall promptly deliver to the Company all such materials and other tangible items so created and/or furnished, including without limitation drawings, blueprints, sketches, manuals, letters, notes, notebooks, reports, lists of customers and vendors, personnel lists, computer disks and printouts, computer hardware and printers, and that he shall not retain any originals or copies of such materials, or any of such tangible items, unless and except to the extent so authorized in writing by the Company.

6.5. Executive agrees to inform all prospective employers and consulting clients of the content of this Section 6 and of Section 7 of this Agreement prior to his acceptance of future employment and consulting engagements.

Section 7. Restrictions against Competition and Solicitation.

7.1. Executive agrees that, during the term of his employment hereunder and during the Restricted Period (defined in Section 7.2 below), he shall not in any way, directly or indirectly, manage, operate, control, accept employment or a consulting position with or otherwise advise or assist or be connected with, or own or have any financial interest in, any Competitive Enterprise (defined in Section 7.2 below).

7.2. For purposes of this Section 7:

(a) "RESTRICTED PERIOD" means:

(i) in the case of Disability, the period during which Executive is receiving payments or benefits from the Company pursuant to Section 3.3 of this Agreement;

(ii) in the case of early termination of the Period of Employment without Proper Cause or for Good Reason, the period ending on the date of such early termination; or,

(iii) in all other cases, the Period of Employment plus the period of twelve months next following expiration of the Period of Employment.

(b) "COMPETITIVE ENTERPRISE" means any person or business organization engaged, directly or indirectly, in the business of (i) designing, manufacturing and marketing front-end fixtures, shelving and other display equipment and accessories for use by retail stores; (ii) designing, manufacturing and marketing custom wood fixtures, furnishings and millwork for use by commercial enterprises, (iii) distribution and fulfillment of magazines, books, pre-recorded music, video and video games, and other merchandise, (iv) rendering third party billing and collection services with respect to claims for manufacturer rebates and incentive payments payable to retailers respecting the sale of magazines, periodicals, confections and general merchandise, and/or (v) providing sales and marketing data and analyses to retailers and vendors of products distributed by the Company.

7.3. Without limitation of the Company's rights and remedies under this Agreement or as otherwise provided by law or in equity, it is understood and agreed between the parties that the right of Executive to receive and retain any payments otherwise due under this Agreement shall be suspended and canceled if and for so long as he is in violation of the foregoing covenant not to compete.

7.4. Executive agrees further that, during the Restricted Period, he will not, directly or indirectly, either for himself or on behalf of any other person or entity, employ or attempt to employ or solicit the employment or services of any person who is at that time, or has been within six months immediately prior thereto, employed by the Company or any subsidiary of the Company.

Section 8. Injunctive Relief and Costs.

8.1. Executive acknowledges that any violation of the provisions of Sections 6, 7.1 and 7.4 of this Agreement may cause substantial and irreparable harm to the Company and its subsidiaries (and their constituencies), and that the nature and magnitude of the harm may be difficult or impossible to measure precisely or to compensate adequately with monetary damages.

8.2. Executive agrees that the Company shall have the right to enforce his performance of and compliance with any and all provisions of Sections 6, 7.1 and 7.4 by seeking a restraining order and/or an order of specific performance and/or other injunctive relief against

Executive from a court of competent jurisdiction, at any time or from time to time, if it appears that Executive has violated or is about to violate any such provision.

8.3. Executive further agrees that he shall be liable for reimbursement of all costs and expenses incurred by the Company and its subsidiaries (including without limitation reasonable attorneys' fees) in connection with any judicial proceeding or arbitration arising out of any violation of or failure to comply with the provisions of Sections 6, 7.1 and 7.4.

8.4. The provisions of this Section 8 are in addition to, and not in lieu of, any other rights and remedies that may be available to the Company for breach of any portion of this Agreement.

Section 9. Compliance with Law and Company Policies.

9.1. Executive represents and warrants to the Company that he is not now (and will not be in the future) under any legal or contractual duty or obligation which could prevent, limit or impair in any way his full and faithful performance of this Agreement. Executive shall indemnify and hold the Company harmless from and against any claim, loss, damage, liability, cost or expense (including without limitation reasonable attorneys' fees) incurred by or asserted against the Company arising out of or in connection with any breach of this representation and warranty.

9.2. Executive acknowledges that he has received and read and understands the intent and purposes of the Company's Code of Business Conduct and Ethics. Executive shall comply with all lawful rules and policies of the Company, as in effect from time to time.

9.3. Nothing contained in this Agreement shall be interpreted, construed or applied to require the commission of any act contrary to law; and whenever there

is any conflict between any provision of this Agreement and any applicable statute, law ordinance, order or regulation, the latter shall prevail; but in such event any such provision of this Agreement shall be curtailed and limited only to the extent necessary to bring it within applicable legal requirements.

9.4. Executive acknowledges and agrees that, notwithstanding anything to the contrary in this Agreement, he shall not be entitled to any benefits that constitute (or which, in the Company's good faith determination based on the advice of counsel, would likely constitute) a personal loan in violation of Section 402 of the Sarbanes-Oxley Act of 2002 or any regulations thereunder. In the event that the Company, in good faith and upon the advice of counsel, determines that any provision of this Agreement would, absent this Section, give rise to a potential violation of said statute or regulations, Executive and the Company shall promptly negotiate, in good faith, towards an appropriate amendment to this Agreement that would eliminate such potential violation, but which would, as closely as reasonably possible, afford both the Company and Executive, the same relative economic benefits of their bargain hereunder prior to such amendment.

9.5. In the event that any payment, coverage or benefit provided under this Agreement would, in the opinion of counsel for the Company, not be deemed to be deductible in whole or in

part in the calculation of the Federal income tax of the Company, or any other person making such payment or providing such coverage or benefit, by reason of Section 280G of the Code, the aggregate payments, coverages or benefits provided hereunder shall be reduced to the "safe harbor" level under Section 280G so that no portion of such amount which is paid to Executive is not deductible by reason of Section 280G of the Code. Furthermore, the Company shall hold such portions not paid to Executive in escrow pending a final determination of whether such amounts would be deductible if paid to Executive. The Company shall use its best efforts to seek and obtain a ruling from the Internal Revenue Service that any portion of such payments, coverages or benefits not paid to Executive pursuant to this Section 9.5 would continue to be deductible if paid to Executive, and the Company shall pay to Executive any portion of such amounts for which such a ruling is received.

If the IRS has not favorably ruled on such matter within six (6) months after the date on which any payment, coverage or benefit provided under this Agreement is required to be paid or provided, the Company shall pay to Executive an additional amount (the "280G PAYMENT") such that the net amount retained by Executive, after giving effect to any excise tax on the payment, coverages or benefits and any Federal, state or local income taxes and excise tax on the 280G Payment, shall be equal to the value of such payments, coverages and benefits prior to giving effect to the excise tax. For purpose of determining the 280G Payment, Executive shall be deemed to pay Federal, state and local income tax at

the highest marginal rate of taxation in the calendar year in which the payments, coverages or benefits are paid or provided. State and local income taxes shall be determined based on the state and locality of Executive's domicile on the date of termination of the Period of Employment.

Section 10. Consulting Agreement.

The Company and Executive shall execute and deliver the Consulting Agreement on or about October 31, 2009, and cause it to become effective on February 1, 2010; provided, however, the Company shall be relieved automatically of its obligations set forth in this Section 10 immediately upon early termination of the Period of Employment hereunder.

Section 11. Effect of Business Combination Transactions. In the event of the merger or consolidation of the Company with any unrelated corporation or corporations, or of the sale by the Company of a major portion of its assets or of its business and good will to an unrelated third party, this Agreement shall remain in effect and be assigned and transferred to the Company's successor in interest as an asset of the Company, and the Company shall cause such assignee to assume the Company's obligations hereunder.

Section 12. Successors and Assigns.

12.1. This Agreement shall be binding upon, and shall inure to the benefit of, Executive and the Company and their respective permitted successors, assigns, heirs, legal representatives and beneficiaries.

12.2 Except as required by law, no right to receive payments under this Agreement shall be subject to anticipation, commutation, alienation, sale, assignment, encumbrance, charge,

pledge or hypothecation or to execution, attachment, levy, or similar process or assignment by operation of law, and any attempt, voluntary or involuntary, to effect any such action shall be null, void and of no effect; provided, however, that nothing in this Section 12.2 shall preclude the assumption of such rights by executors, administrators or other legal representatives of Executive or his estate and their assigning any rights hereunder to the person or persons entitled thereto.

Section 13. Notices.

Any and all notices required or permitted to be given under this Agreement shall be sufficient if furnished in writing and personally delivered, or if sent by registered or certified mail to the last known residence address of Executive or to the Company, Attention: Corporate Secretary, 27500 Riverview Center Blvd., Suite 400, Bonita Springs, Florida 34134, or such other place as Executive or

the Company may designate in writing to the other for these purposes.

Section 14. Miscellaneous.

14.1. The waiver by either party of a breach or violation of any provision of this Agreement shall not operate as or be construed to be a waiver of any subsequent breach or violation hereof.

14.2. The headings to the Sections hereof are for convenience of reference only, and in case of any conflict, the text of this Agreement, rather than the headings, shall control.

14.3. This Agreement (together with the Exhibits attached hereto) sets forth the entire understanding of the parties in respect of the subject matter contained herein, and supersedes the Employment and Non-Competition referred to in the Preambles as well as any and all other prior agreements, arrangements and understandings relating to the subject matter. This Agreement 6may only be amended by a written agreement signed by both parties hereto or their duly authorized representatives. Except as expressly stated herein, however, nothing in this Agreement shall be deemed to affect the Company's duties and obligations, or Executive's rights and benefits, under the Company's existing Source Interlink Companies 401(k) Plan.

14.4. Should a court or arbitrator declare any provision hereof to be invalid, such declaration shall not affect the validity of the Agreement as a whole or any part hereof, other than the specific portion declared to be invalid.

14.5. This Agreement shall be interpreted, construed and governed according to the laws of the State of Florida.

14.6. Any claim, controversy or dispute arising with respect to this Agreement between the parties hereto or anyone claiming under or on behalf of either of the parties (a "DISPUTE"), other than a Dispute to which Section 8 hereof applies, shall be submitted to final and binding arbitration in accordance with the following:

(a) Any party to an unresolved Dispute may file a written Demand for Arbitration pursuant to this Section 14.6 with the Regional Office of the American Arbitration Association nearest to Bonita Springs, Florida and shall simultaneously send a copy of such Demand to the other party or parties to such Dispute;

(b) Arbitration proceedings under this Section 14.6 shall be conducted in accordance with the Commercial Arbitration Rules of the American Arbitration Association, except that all decisions and awards rendered shall be accompanied

by a written opinion setting forth the rationale for such decisions and awards;

(c) Venue for all evidentiary hearings conducted in such proceedings shall be in Lee or Collier County, Florida, as determined by the Arbitrator.

(d) Unless otherwise agreed by the parties thereto, arbitration proceedings under this Section 14.6 shall be conducted before one impartial arbitrator selected through the procedures of the American Arbitration Association. On all matters, the decisions and awards of the arbitrator shall be determinative.

(e) To the extent practicable, the arbitration proceedings under this Section 14.6 shall be conducted in such manner as will enable completion within sixty (60) days after the filing of the Demand for Arbitration hereunder.

(f) The arbitrator may award attorney's fees and costs of arbitration to the substantially prevailing party. Unless and except to the extent so awarded, the costs of arbitration shall be shared equally by the parties, and each party shall bear the fees and expenses of its own attorney. Punitive damages shall not be allowed by the arbitrator. The award may be enforced in such manner as allowed by law.

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Agreement as of the date first written above.

SOURCE INTERLINK COMPANIES, INC.

By: /s/ Aron S. Katzman

Name: Aron S. Katzman
Title: Chairman of the Compensation Committee of the Board of Directors

S. Leslie Flegel

S. Leslie Flegel

EXHIBIT A TO
EMPLOYMENT AGREEMENT

CONSULTING AGREEMENT

ENTERED INTO as of January 31, 2010 by and between S. LESLIE FLEGEL ("CONSULTANT"), an individual presently domiciled in Naples, Florida, and SOURCE

INTERLINK COMPANIES, INC. (the "COMPANY"), a Missouri corporation having its corporate headquarters in Bonita Springs, Florida.

WHEREAS, Consultant was the founder of the Company and served for many years as its Chief Executive Officer, and

WHEREAS, the Period of Employment under the Executive Employment Agreement dated March 1, 2005 between Consultant and the Company (the "EMPLOYMENT AGREEMENT") expires on the date of this Agreement, and

WHEREAS, the Company does not wish to lose the benefit of Consultant's knowledge of the Company and his years of experience, and

WHEREAS, the Company and Consultant have previously agreed, in conjunction with the preparation, execution and delivery of the Employment Agreement, to establish a consulting relationship under the terms and provisions set forth in this Agreement,

NOW, THEREFORE, with the intent to be legally bound, the Company and Consultant do hereby covenant and agree as follows.

1. Term.

The term of the consulting relationship established by this Agreement shall be the five-year period commencing February 1, 2010 and ending on January 31, 2015 (the "PERIOD OF ENGAGEMENT"), unless earlier terminated pursuant to Section 5 below.

2. Services.

2.1 The Company hereby appoints Consultant as an independent consultant to the Company, and Consultant hereby accepts such appointment. Consultant shall provide such consulting services to the Company and its subsidiaries, during normal business hours, as the Board of Directors or the Chief Executive Officer of the Company may reasonably request from time to time in connection with strategic planning, merger and acquisition transactions, investor relations, customer relations, financial affairs, operations and executive recruitment.

2.2 Consultant further agrees to serve as a member of the Board of the Company and/or as a member of the board of directors of any subsidiary of the Company if and when elected to any such position.

2.3 Consultant further agrees, if so requested, to represent the Company's interests in one or more trade associations and to participate in charitable and community organizations which the Company wishes to support.

2.4 (a) This Agreement does not create any employment or agency relationship between Consultant and the Company. The relationship of the Consultant will be solely as an independent contractor to the Company. The Company has not authorized Consultant to, and Consultant acknowledges that he has no authority to, commit, bind or speak for the Company, and Consultant shall not knowingly do any act which might cause any third party to reasonably believe that Consultant has the power or authority to contract or incur any commitment on behalf of Company, or that Consultant is an employee or agent of Company.

(b) As an independent contractor, Consultant acknowledges that Consultant will not be eligible for or receive any benefits for which employees of the Company are eligible. Since Consultant is an independent contractor, the Company will not withhold any state or federal FICA or other withholding taxes, social security taxes, Medicare taxes, disability or other insurance payments or any other taxes, assessments or payments (collectively, "EMPLOYMENT TAXES"). The Company will issue to Consultant an Internal Revenue Service Form 1099 at the time, in the manner and containing the information required by the Internal Revenue Code of 1986, as amended (the "CODE"). Consultant is solely responsible for the payment of any and all Employment Taxes and any other taxes, assessments or payments owed in connection with its receipt of compensation paid by Company hereunder.

3. Compensation. As consideration for Consultant's undertakings set forth in this Agreement and his services hereunder, the Company shall pay to Consultant, and he hereby agrees to accept, the compensation described in Sections 3.1, 3.2, 3.3 and 3.4 below.

3.1 A fixed Retainer Fee in the amount of $415,000 per year, payable in equal monthly installments. The Company's obligation to pay such fixed Retainer Fee during the term specified in Section 1 is absolute and unconditional, regardless of the amount of time actually devoted by Consultant in rendering services under this Agreement.

3.2 For his services (if any) as a director pursuant to Section 2.2, such director compensation as is provided for, from time to time, under then current corporate policy applicable to non-employee directors.

3.3 The Death Benefit Amount and Gross-Up Amount provided for in Section 4.10 of the Employment Agreement (it being understood and agreed that the Company's obligation may be satisfied in the manner set forth in Section 4.10(b) thereof).

3.4 The right to continued participation in the Company's healthcare plans (referred to in Section 4.6 of the Employment Agreement) under and subject to the same terms and provisions (including without limitation contribution to premiums, deductibles, co-payments and caps) as are applicable during such period to the Company's most senior executive officers in the same manner as if Consultant were employed by the Company.

Nothing in this Section 3 shall be deemed to affect the Company's duties and obligations, or Consultant's rights and benefits, under the Employment Agreement or any of the Company's retirement or other benefit plans in which Consultant is or was a participant.

4. Facilities, Expenses and Indemnification.

4.1 The Company shall supply Consultant with such office facilities and clerical support services as he may reasonably request to carry out his duties under this Agreement.

4.2 The Company shall pay directly, or shall reimburse Consultant for, such items of reasonable and necessary expense as are incurred by Consultant during the Period of Engagement in the interest of the business of the Company. All such expenses paid by Consultant shall be reimbursed by the Company upon presentation by Consultant of an itemized account of such expenditures, sufficient to support their deductibility by the Company for federal income tax purposes (without regard to whether or not the Company's deduction for such expenses is limited for federal income tax purposes), such submissions to be made within 30 days after the date such expenses are incurred.

4.3. In addition to such rights of indemnification as are provided to Consultant by the Certificate of Incorporation and/or Bylaws of the Company and its subsidiaries and/or the Employment Agreement, the Company agrees that, absent a written opinion of independent legal counsel that it would be unlawful to do so, the Company shall promptly pay or advance all costs and expenses (including without limitation attorneys' fees) reasonably incurred by Consultant in defense of any and all claims, causes of action and charges which may be threatened, asserted or filed against him in any judicial, governmental or arbitration proceedings, inquiry or investigation (whether of a civil or criminal nature), arising out of his consultancy under this Agreement or the performance in good faith of his duties hereunder, other than such claims, causes of action or charges that may be initiated against Consultant upon approval by the Board. Consultant hereby agrees to promptly reimburse to the Company all such costs and expenses as have been paid or advanced by the Company if (and to the extent) it is finally determined as a matter of law that Consultant was not entitled to be indemnified for them by the Company. In addition, Consultant shall remit to the Company the proceeds of any insurance received by him to defray such costs and expenses as have been paid or advanced by the Company.

5. Early Termination.

5.1 Notwithstanding the provisions of Section 1, the Period of Engagement shall be subject to early termination at any time:

(a) at the Company's election, by dismissal of Consultant from the

engagement with or without Proper Cause (defined in Section 5.2(c) below) pursuant to resolution of the Board, or

(b) at the Company's election, upon determination of Disability of Consultant (defined in Section 3.3 below), or

(c) upon death of Consultant, or

(d) at Consultant's election, by voluntary resignation upon 30 days' advance written notice, with or without Good Reason (defined in Section 3.5(b) below).

In the event of early termination pursuant to the foregoing paragraphs (a), (b), (c) or (d), the Company's obligations to Consultant shall be as set forth in Sections 5.2, 5.3, 5.4 or 5.5, respectively; and Consultant shall have no other rights or claims under this Agreement except for reimbursement of previously incurred expenses and indemnification pursuant to Section 4.2 and 4.3, respectively.

5.2 (a) In the event of early termination pursuant to Section 5.1(a) without Proper Cause, the Company shall be and remain obligated to pay to Consultant, within five (5) business days after such early termination (or such longer period during which such payments are prohibited under applicable law, rules or regulations), in cash, an amount equal to the sum of (i) the sum of all fixed Retainer Fee installments payable for the remainder of the Period of Engagement, plus (ii) all accrued and unpaid items.

(b) In the event of early termination pursuant to Section 5.1(a) with Proper Cause, the Company shall thereupon be relieved of its obligations to pay or provide any and all compensation and benefits under Section 3 hereof (except for accrued and unpaid items).

(c) The occurrence of any of the following events or circumstances shall constitute "PROPER CAUSE" for dismissal of Consultant from engagement under this Agreement:

(i) Disclosure to third parties of trade secrets or other Confidential Information (defined in Section 6 below), or any other misuse or misappropriation thereof, by Consultant in violation of the obligations imposed by Section 6 hereof;

(ii) Violation by Consultant of the restrictions imposed by Section 7 of this Agreement on competitive activities by Consultant;

(iii) Abandonment by Consultant of his engagement with the Company or any subsidiary or repeated and deliberate failure or refusal by

Consultant to fulfill his substantive duties and responsibilities under this Agreement in any material respect and Consultant's failure or refusal to initiate corrective action within 30 days after written notice by the Company setting forth in reasonable detail the conditions alleged to be encompassed by the foregoing clause;

(iv) Perpetration of any act of theft materially affecting the Company or any of its subsidiaries;

(v) Willful, reckless or grossly negligent conduct by Consultant entailing a material violation of the laws or governmental regulations or orders applicable to the Company or its subsidiaries, or imposition by any court or governmental agency of any material restriction upon Consultant's ability to perform his duties and responsibilities hereunder;

(vi) Repeated and deliberate failure or refusal by Consultant to comply with lawful and ethical policies of the Company or lawful and ethical directives of the Board to the extent consistent with the provisions of this Agreement;

(vii) Conviction of Consultant of a crime in any federal, state or foreign court, or entry of any governmental decree or order against Consultant based upon violation of any federal, state or foreign law, and the determination by the Board, made in its reasonable discretion, that, in the circumstances, the continued association of Consultant with the Company will, more likely than not, have a material adverse effect upon the Company, its business or its reputation.

5.3 In the event of early termination pursuant to Section 5.1(b), the Company shall thereupon be relieved of its obligations to pay or provide any and all compensation and benefits under Section 3 hereof, but shall be obligated to pay or provide to Consultant or the Beneficiary (i) the Death Benefit Amount when and as required by Section 4.10 of the Employment Agreement and, (ii) all accrued and unpaid items.

5.4 In the event of early termination pursuant to Section 5.1(c), the Company shall thereupon be relieved of its obligations to pay or provide any and all compensation and benefits under Section 3 hereof, other than the Death Benefit Amount (and except for accrued and unpaid items).

5.5 (a) In the event of early termination pursuant to Section 5.1(d) by Consultant with Good Reason, the provisions of Section 5.2(a) shall apply.

(b) In the event of early termination pursuant to Section 5.1(d) by Consultant without Good Reason, the provisions of Section 5.2(b) shall apply.

(c) The occurrence of any of the following events or circumstances shall constitute "GOOD REASON" under this Agreement:

(i) repeated and deliberate failure by the Company to substantially comply with its obligations to pay or provide the compensation, benefits and other amounts and support due Consultant under Sections 3 and 4 above; or

(ii) the failure or refusal of the Company (and/or any successor in interest to the Company) to comply with the duties and obligations under Section 10 in a due, proper and timely manner; and

(iii) failure or refusal by the Company (and/or any such successor) to initiate corrective action within 30 days after written notice by Consultant to the full Board and to the Company's General Counsel setting forth in reasonable detail the conditions alleged to be encompassed by the foregoing clause (i) or (ii) (as the case may be).

6. Protection of Confidential Information and Property.

6.1. Consultant acknowledges that, except for information that from time to time has been properly disclosed by the Company in public filings and announcements and commercial dealings, the Company has or may have a legitimate need for and/or interest in protecting the confidentiality of all information and data pertaining to the business and affairs of the Company and its subsidiaries, including without limitation information and data relating to (i) manufacturing operations and costs, (ii) distribution and servicing methods and costs, (iii) merchandising techniques, (iv) sales and promotional methods, (v) customer, vendor and personnel relationships and arrangements, (vi) research and development projects, (vii) information and data processing technologies, and (viii) strategic and tactical plans and initiatives (all such information and data, other than that which has been properly disclosed as aforesaid, being hereinafter referred to as "CONFIDENTIAL INFORMATION").

6.2. Consultant acknowledges that, in the course of his employment and consultancy, (i) he has participated and/or will participate in the development of Confidential Information, (ii) he has been and/or will be involved in the use and application of Confidential Information for corporate purposes, and (iii) he otherwise has been and/or will be given access to and entrusted with Confidential Information for corporate purposes.

6.3. Consultant agrees that, during the Period of Engagement under this Agreement, he shall possess and use the Confidential Information solely and exclusively to protect and advance the interests of the Company and its subsidiaries; and that at all times thereafter, he (i) shall continue to treat the Confidential Information as proprietary to the Company, and (ii) shall not

make use of, or divulge to any third party, all or any part of the Confidential Information unless and except to the extent so authorized in writing by the Company.

6.4. Consultant acknowledges that, in the course of his engagement, he will create and/or be furnished with (i) materials that embody or contain Confidential Information (in written and electronic form) and (ii) other tangible items that are the property of the Company and its subsidiaries. Consultant agrees that, upon expiration or other termination of his Period of Engagement under this Agreement, or sooner if the Company so requests, he shall promptly deliver to the Company all such materials and other tangible items so created and/or furnished, including without limitation drawings, blueprints, sketches, manuals, letters, notes, notebooks, reports, lists of customers and vendors, personnel lists, computer disks and printouts, computer hardware and printers, and that he shall not retain any originals or copies of such materials, or any of such tangible items, unless and except to the extent so authorized in writing by the Company.

6.5. Consultant agrees to inform all prospective employers and consulting clients of the content of this Section 6 and of Section 7 of this Agreement prior to his acceptance of future employment and consulting engagements.

7. Restrictions against Competition and Solicitation.

7.1. Consultant agrees that, during the Period of Engagement hereunder and during the Restricted Period (defined in Section 7.2 below), he shall not in any way, directly or indirectly,

manage, operate, control, accept employment or a consulting position with or otherwise advise or assist or be connected with, or own or have any financial interest in, any Competitive Enterprise (defined in Section 7.2 below).

7.2. For purposes of this Section 7:

(a) "RESTRICTED PERIOD" means the greater of:

(i) Period of Engagement; or

(ii) the period during which Consultant is receiving payments or benefits from the Company pursuant to Section 5.2(a), 5.3(a), or 5.5(a) of this Agreement; or

(iii) the period of 24 months next following early termination of the Period of Engagement other than without Proper Cause or for Good Reason.

(b) "COMPETITIVE ENTERPRISE" means any person or business organization

engaged, directly or indirectly, in the business of (i) designing, manufacturing and marketing front-end fixtures, shelving and other display equipment and accessories for use by retail stores; (ii) designing, manufacturing and marketing custom wood fixtures, furnishings and millwork for use by commercial enterprises, (iii) distribution and fulfillment of magazines, books, pre-recorded music, video and video games, and other merchandise, (iv) rendering third party billing and collection services with respect to claims for manufacturer rebates and incentive payments payable to retailers respecting the sale of magazines, periodicals, confections and general merchandise, and/or (v) providing sales and marketing data and analyses to retailers and vendors of products distributed by the Company.

7.3. Without limitation of the Company's rights and remedies under this Agreement or as otherwise provided by law or in equity, it is understood and agreed between the parties that the right of Consultant to receive and retain any payments otherwise due under this Agreement shall be suspended and canceled if and for so long as he is in violation of the foregoing covenant not to compete.

7.4. If the Period of Engagement hereunder shall have been terminated without Proper Cause pursuant to Section 5.1(a) or for Good Reason pursuant to Section 5.1(d), and if Consultant shall have duly complied with and observed the covenants of Section 6 and this Section 7, Consultant may, at his election, be discharged from the covenants of Section 7.1 at any time on or before the thirtieth (30th) day following such termination by filing with the Company a duly executed statement (in form and content reasonably satisfactory to the Board of Directors of the Company) releasing the Company and its subsidiaries (and, if applicable, its insurance carriers) from any and all obligations it (or they) may have by reason of such termination (except for accrued and unpaid items).

7.5. Consultant agrees further that, during the Restricted Period, he will not, directly or indirectly, either for himself or on behalf of any other person or entity, employ or attempt to employ or solicit the employment or services of any person who is at that time, or has been

within six months immediately prior thereto, employed by the Company or any subsidiary of the Company.

8. Injunctive Relief and Costs.

(a) Consultant acknowledges that any violation of the provisions of Sections 6, 7.1 and 7.5 of this Agreement may cause substantial and irreparable harm to the Company and its subsidiaries (and their constituencies), and that the nature and magnitude of the harm may be difficult or impossible to measure precisely or to compensate adequately with monetary damages.

(b) Consultant agrees that the Company shall have the right to enforce his performance of and compliance with any and all provisions of Sections 6, 7.1 and 7.5 by seeking a restraining order and/or an order of specific performance and/or other injunctive relief against Consultant from a court of competent jurisdiction, at any time or from time to time, if it appears that Consultant has violated or is about to violate any such provision.

(c) Consultant further agrees that he shall be liable for reimbursement of all costs and expenses incurred by the Company and its subsidiaries (including without limitation reasonable attorneys' fees) arising out of any violation of the provisions of Sections 6, 7.1 and 7.5, whether or not in connection with judicial proceedings.

(d) The provisions of this Section 8 are in addition to, and not in lieu of, any other rights and remedies that may be available to the Company for breach of any portion of this Agreement.

9. Compliance with Law and Company Policies.

9.1. Consultant represents and warrants to the Company that he is not now (and will not be in the future) under any legal or contractual duty or obligation which could prevent, limit or impair in any way his full and faithful performance of this Agreement. Consultant shall indemnify and hold the Company harmless from and against any claim, loss, damage, liability, cost or expense (including without limitation reasonable attorneys' fees) incurred by or asserted against the Company arising out of or in connection with any breach of this representation and warranty.

9.2. Consultant acknowledges that he has received and read and understands the intent and purposes of the Company's Code of Business Conduct and Ethics. Consultant shall comply with all lawful rules and policies of the Company, as in effect from time to time.

9.3. Nothing contained in this Agreement shall be interpreted, construed or applied to require the commission of any act contrary to law; and whenever there is any conflict between any provision of this Agreement and any applicable statute, law ordinance, order or regulation, the latter shall prevail; but in such event any such provision of this Agreement shall be curtailed and limited only to the extent necessary to bring it within applicable legal requirements.

9.4. Effect of Business Combination Transactions. In the event of the merger or consolidation of the Company with any unrelated corporation or corporations, or of the sale by the Company of a major portion of its assets or of its business and good will to an unrelated third party, this Agreement shall remain in effect and be assigned and transferred to the Company's successor in

interest as an asset of the Company, and the Company shall cause such assignee to assume the Company's obligations hereunder; and in such event Consultant hereby confirms his agreement to continue to perform his/her duties and responsibilities according to the terms and conditions hereof for such assignee or transferee of this Agreement. It is understood and agreed, however, that the scope of Consultant's services under Section 1 hereof shall be appropriately modified, at the election of such successor, to cover the segment of such successor's enterprise represented by the Company's assets and operations at the time of such aforementioned transaction.

10. Successors and Assigns.

(a) This Agreement shall be binding upon, and shall inure to the benefit of, Consultant and the Company and their respective heirs, legal representatives, successors and assigns.

(b) Except as required by law, no right of Consultant to receive payments under this Agreement shall be subject to anticipation, commutation, alienation, sale, assignment, encumbrance, charge, pledge or hypothecation or to execution, attachment, levy, or similar process or assignment by operation of law, and any attempt, voluntary or involuntary, to effect any such action shall be null, void and of no effect; provided, however, that nothing in this Section 10(b) shall preclude the assumption of such rights by executors or other legal representatives of Consultant or his estate and their assignment of any rights hereunder to the person or persons entitled thereto.

11. Notices. Any and all notices required or permitted to be given under this Agreement shall be sufficient if furnished in writing and personally delivered, or if sent by registered or certified mail to the last known residence address of Consultant or to the Company, Attention: Corporate Secretary, 27500 Riverview Center Blvd., Suite 400, Bonita Springs, Florida 34134, or such other place as Consultant or the Company may designate in writing to the other for these purposes.

12. Miscellaneous.

12.1 The waiver by either party of a breach or violation of any provision of this Agreement shall not operate as or be construed to be a waiver of any subsequent breach hereof.

12.2 The headings to the Sections hereof are for convenience of reference only, and in case of any conflict, the text of this Agreement, rather than the headings, shall control.

12.3 Should a court or arbitrator declare any provision hereof to be invalid, such declaration shall not affect the validity of the Agreement as a whole or any part, other than the specific portion declared to be invalid.

12.4 Any claim, controversy or dispute arising with respect to this Agreement between the parties hereto or anyone claiming under or on behalf of either of the parties (a " Dispute"), other than a Dispute to which Section 8 hereof applies, shall be submitted to final and binding arbitration in accordance with the following:

(a) Any party to an unresolved Dispute may file a written Demand for Arbitration pursuant to this Section 12.4 with the Regional Office of the American Arbitration Association nearest to Bonita Springs, and shall simultaneously send a copy of such Demand to the other party or parties to such Dispute;

(b) Arbitration proceedings under this Section 12.4 shall be conducted in accordance with the Commercial Arbitration Rules of the American Arbitration Association, except that all decisions and awards rendered shall be accompanied by a written opinion setting forth the rationale for such decisions and awards;

(c) Venue for all evidentiary hearings conducted in such proceedings shall be in Lee or Collier County, Florida, as determined by the Arbitrator.

(d) Unless otherwise agreed by the parties thereto, arbitration proceedings under this Section 12.4 shall be conducted before one impartial arbitrator selected through the procedures of the American Arbitration Association. On all matters, the decisions and awards of the arbitrator shall be determinative.

(e) To the extent practicable, the arbitration proceedings under this Section 12.4 shall be conducted in such manner as will enable completion within sixty (60) days after the filing of the Demand for Arbitration hereunder.

(f) The arbitrator may award attorney's fees and costs of arbitration to the substantially prevailing party. Unless and except to the extent so awarded, the costs of arbitration shall be shared equally by the parties, and each party shall bear the fees and expenses of its own attorney. Punitive damages shall not be allowed by the arbitrator. The award may be enforced in such manner as allowed by law.

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Agreement as of the date first above written.

SOURCE INTERLINK COMPANIES, INC.

By: ----------

Title:

S. Leslie Flegel

EXHIBIT B

SHORT TERM INCENTIVE PROGRAM

DEFINITIONS.

"BUDGET"--means as to each fiscal year concluded during the Period of Employment, an operating budget prepared by management and approved by the Board on or before March 15 of each fiscal year; provided however that such operating budget for the Company's fiscal year ending January 31, 2006 shall be prepared by management and approved by the Board on or before April 30, 2005.

"CHALLENGE GRANT"--means the Source Interlink Companies, Inc. Challenge Grant Program and its successors, as described herein and as the same may be amended from time to time.

"COMMITTEE"--means the Compensation Committee of the Board of Directors of Source Interlink Companies, Inc.

"NOI"--means as to each fiscal concluded during the Period of Employment, operating income as shown on the Company's annual audited financial statements plus (a) compensation expense recorded in the income statement related to the Challenge Grant and (b) amortization expense or impairment charges attributable solely to intangible assets identified and recorded as a result of the merger (the "MERGER") effected on February 28, 2005 between Alliance Entertainment Corp. and Alligator Acquisition. LLC, a wholly-owned subsidiary of the Company.

CALCULATION OF SHORT TERM INCENTIVE PAYMENT

The Short Term Incentive Payment shall be equal to that amount set forth in the following table opposite the applicable percentage of NOI as shown on the Budget for the fiscal year with respect to which the Short Term Incentive Payment is to be determined represented by the NOI shown on the Company's annual financial statements for such fiscal year:

<TABLE>
<CAPTION>
NOI ACHIEVEMENT
(expressed as a percentage of Budget)

EQUAL TO OR MORE THAN	LESS THAN	SHORT TERM INCENTIVE PAYMENT
<S>	<C>	<C>
0	50%	$ 0
50%	80%	$ 600,000
80%	100%	$ 750,000
100%	105%	$ 900,000
105%	110%	$1,350,000
110%	115%	$1,575,000
115%	unlimited	$1,800,000

</TABLE>

ADJUSTMENT OF CALCULATION UPON ACQUISITION OR DISPOSITION. The Committee reserves the right, but has no obligation, to adjust, upward or downward, the NOI Achievement Percentages set forth above if during the Period of Employment the Company completes the acquisition or disposition of a significant amount of assets, otherwise than in the ordinary course of business. Any such adjustment during the Period of Employment shall be reasonably related to any increase or decrease in the NOI projected to result from the completion of such acquisition or disposition.

As used herein the term "ACQUISITION" means every purchase, acquisition by lease, exchange, merger, consolidation, or succession, other than the construction or development of property by or for the Company or its subsidiaries or the acquisition of materials for such purpose. As used herein the term "DISPOSITION" means every sale, disposition by lease exchange, merger, consolidation, mortgage, assignment or hypothecation of assets, whether for the benefit of creditors or otherwise, abandonment, or destruction, other than with respect to real property held for use by or for the Company.

An acquisition or disposition shall be deemed to involve a significant amount of assets if such transaction is required to be disclosed on a Current Report on Form 8-K through a filing with the U.S. Securities and Exchange Commission.

PAYMENT OF SHORT TERM INCENTIVE PAYMENT. The Short Term Incentive Payment shall be disbursed in cash to Executive as soon as practicable after January 31, but in any case not later than the date on which the Annual Report on Form 10-K for each of the Company's fiscal years ending during the Period of Employment is filed with the U. S. Securities and Exchange Commission. To the extent required by the law in effect at the time payments are made, the Company shall withhold from payments made hereunder any taxes required to be withheld by the Federal or any state or local government.

EXHIBIT C

SOURCE INTERLINK COMPANIES, INC.

CHALLENGE GRANT PROGRAM

EFFECTIVE MARCH 1, 2005

SOURCE INTERLINK COMPANIES, INC.

CHALLENGE GRANT PROGRAM

SECTION 1 - ESTABLISHMENT AND PURPOSE OF PROGRAM

1.1 ESTABLISHMENT AND DURATION OF PROGRAM. The Board of Directors of Source Interlink Companies, Inc., a Missouri corporation, hereby establishes the Source Interlink Companies, Inc. Challenge Grant Program, effective March 1, 2005. The Program shall commence on March 1, 2005 and continue until all earned disbursements are made following the end of the Challenge Period.

1.2 PURPOSE OF PROGRAM. The Challenge Grant Program has been adopted by Source Interlink Companies, Inc. to motivate key executive personnel to maximize shareholder value resulting from the transactions contemplated by a certain Agreement and Plan of Merger, dated November 18, 2004, by and among Source Interlink Companies, Inc., Alliance Entertainment Corp. and Alligator Acquisition, LLC.

SECTION 2 - EFFECTIVE DATE

The effective date of the Program is March 1, 2005.

SECTION 3 - DEFINITIONS

3.1 "AGGREGATE PAYOUT"--means the total sum payable under the Program to all Executives.

3.2 "CHALLENGE PERIOD"--means the three year period commencing February 1, 2005 and ending January 31, 2008.

3.3 "COMMITTEE"--means the Compensation Committee of the Board of Directors of the Corporation.

3.4 "CHANGE OF CONTROL"--means the occurrence of any of the following events:

(a) A change in the composition of the Board of Directors occurs, as a result of which fewer than one-half (1/2) of the incumbent directors are directors who either:

(i) Had been directors of the Corporation on the "look-back date" (as defined below) (hereinafter referred to as the "original directors"); or

(ii) Were elected, or nominated for election, to the Board of Directors with the affirmative votes of at least a majority of the aggregate of the original directors who were still in office at the time of the election or nomination and the directors whose election or nomination was previously so approved (hereinafter referred to as the "continuing directors");

or,

(b) Any "person" (as defined below) who by the acquisition or aggregation of securities, is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Securities Exchange Act of 1934, as amended), directly or indirectly, of securities of the Corporation representing 50% or more of the combined voting power of the Corporation's then outstanding securities ordinarily (and apart from rights accruing under special circumstances) having the right to vote at elections of directors (hereinafter referred to as the "Base Capital Stock"); except that any change in the relative beneficial ownership of the Corporation's securities by any person resulting solely from a reduction in the aggregate number of outstanding shares of Base Capital Stock, and any decrease thereafter in such person's ownership of securities, shall be disregarded until such person increases in any manner, directly or indirectly, such person's beneficial ownership of any securities of the Corporation;

or

(c) The consummation of a merger or consolidation of the Corporation with or into another entity or any other corporate reorganization in which the Corporation is not the acquiring entity for accounting purposes;

or

(d) The consummation of a sale, transfer or other disposition of all or substantially all of the Corporation's assets.

For purposes of subsection (a) above, the term "look-back" date shall mean the later of (1) the Effective Date of the Program, or (2) the date 24 months prior to the date of the event that may constitute a Change of Control.

For purposes of subsection (b) above, the term "person" shall have the same meaning as when used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended, but shall exclude (1) a trustee or other fiduciary holding

securities under an employee benefit plan maintained by the Corporation or a parent or subsidiary and (2) a corporation owned directly or indirectly by the shareholders of the Corporation in substantially the same proportions as their ownership of the common stock of the Corporation.

Any other provision of this Section 3.4 notwithstanding, no event shall constitute a Change of Control if: (A) the sole purpose of the event was to change the state of the Corporation's incorporation or to create a holding company that will be owned in substantially the same proportions by the persons who held the Corporation's securities immediately before such transaction; (B) the event was contemplated by that certain Agreement and Plan of Merger, dated November 18, 2004, by and among Source Interlink Companies, Inc., Alliance Entertainment Corp. and Alligator Acquisition, LLC.; or (C) following such event, S. Leslie Flegel is employed by the Company or any successor entity with the duties and responsibilities of such entity's principal executive officer.

3.5 "CORPORATION"--means Source Interlink Companies, Inc., a Missouri corporation, or its subsidiaries and any successor thereto.

3.6 "EXECUTIVE"--means S. Leslie Flegel and any employee who is designated as eligible to participate in the Program by the Chief Executive Officer with, in the case of Executives that are also officers of the Corporation subject to the reporting requirements of Section 16 promulgated under the Securities Exchange Act of 1934, as amended, the approval of the Committee. Only management and highly-compensated employees within the meaning of the Employee Retirement Income Security Act of 1974, as amended, shall be eligible to participate in the Program.

3.7 "NOI"--means cumulatively as to the entire Challenge Period, operating income as shown on the Corporation's annual audited financial statements plus (a) compensation expense recorded in the income statement related to the Program and (b) amortization expense or impairment charges attributable solely to intangible assets identified and recorded as a result of the merger (the "MERGER") effected on February 28, 2005 between Alliance Entertainment Corp. and Alligator Acquisition. LLC, a wholly-owned subsidiary of the Corporation.

3.8 "PROGRAM"--means the Source Interlink Companies, Inc. Challenge Grant Program and its successors, as described herein and as the same may be amended from time to time.

SECTION 4 - CALCULATION OF AGGREGATE PAYOUT

4.1. CONCLUSION OF CHALLENGE PERIOD. The Aggregate Payout under the Program shall be equal to that amount set forth in the following table opposite the applicable range which encompasses NOI:

<TABLE>
<CAPTION>

NOI RANGE		
MORE THAN	LESS THAN OR EQUAL TO	AGGREGATE PAYOUT
<S>	<C>	<C>
$0	$195.2 million	$ 2.50 million
$195.2 million	$202.8 million	$ 5.00 million
$202.8 million	$210.4 million	$ 7.50 million
$210.4 million	$218.0 million	$10.00 million
$218.0 million	$227.2 million	$11.00 million
$227.2 million	$236.4 million	$12.00 million
$236.4 million	$245.6 million	$13.00 million
$245.6 million	$254.8 million	$14.00 million
$254.8 million	$264.0 million	$15.00 million

</TABLE>

4.2. UPON CHANGE OF CONTROL. If a Change of Control shall occur during the Challenge Period, the Aggregate Payout under the Program shall be equal to that amount set forth in the following table opposite the applicable period in which the Change of Control occurs.

<TABLE>
<CAPTION>

TWELVE MONTH PERIOD ENDING	AGGREGATE PAYOUT
<S>	<C>
January 31, 2006	$10.0 million
January 31, 2007	$12.5 million
January 31, 2008	$15.0 million

</TABLE>

4.3. ADJUSTMENT OF CALCULATION UPON ACQUISITION OR DISPOSITION. The Committee reserves the right, but has no obligation, to adjust, upward or downward, the NOI Ranges set forth in Section 4.1 if during the Challenge Period the Corporation completes the acquisition or disposition of a significant amount of assets, otherwise than in the ordinary course of business. Any such adjustment during the Challenge Period shall be reasonably related to any increase or decrease in the NOI projected to result from the completion of such acquisition or disposition.

As used herein the term "ACQUISITION" means every purchase, acquisition by lease, exchange, merger, consolidation, or succession, other than the construction or development of property by or for the Corporation or its subsidiaries or the acquisition of materials for such purpose. As used herein

the term "DISPOSITION" means every sale, disposition by lease exchange, merger, consolidation, mortgage, assignment or hypothecation of assets, whether for the benefit of

creditors or otherwise, abandonment, or destruction, other than with respect to real property held for use by or for the Corporation other than with respect to real property held for use by or for the Company.

An acquisition or disposition shall be deemed to involve a significant amount of assets if such transaction is required to be disclosed on a Current Report on Form 8-K through a filing with the U.S. Securities and Exchange Commission.

SECTION 5 - PAYMENT AND ALLOCATION OF AGGREGATE PAYOUT

5.1 ALLOCATION OF AGGREGATE PAYOUT. The Aggregate Payout shall be allocated among the Executives in such amounts and proportions as may be determined by the Chief Executive Officer with, in the case of Executives that are also officers of the Corporation subject to the reporting requirements of Section 16 promulgated under the Securities Exchange Act of 1934, as amended, the approval of the Committee; provided however that 35% of the Aggregate Payout shall be allocated to S. Leslie Flegel. Nothing contained in this Program shall require that the entire Aggregate Payout be allocated or disbursed.

5.2 PAYMENT OF AGGREGATE PAYOUT. The Aggregate Payout shall be disbursed in cash to each Executive in such proportions as they may be allocated in accordance with Section 5.1 as soon as practicable after January 31, 2008, but in any case not later than the date on which the Annual Report on Form 10-K for the Corporation's fiscal year ending January 31, 2008 is filed with the U. S. Securities and Exchange Commission.

5.3 PAYMENT ON CHANGE OF CONTROL. In the event of a Change of Control, the Aggregate Payout shall be disbursed in cash to each Executive in such proportions as they may be allocated in accordance with Section 5.1 not later than the effective date of such Change of Control.

SECTION 6 - CONDITIONS TO DISBURSEMENT

6.1 WITHHOLDING; UNEMPLOYMENT TAXES. To the extent required by the law in effect at the time payments are made, the Corporation shall withhold from payments made hereunder any taxes required to be withheld by the Federal or any state or local government.

6.2 NO VESTED RIGHT TO DISBURSEMENT. The Program is designed specifically as a bonus program in which each Executive (other than S. Leslie Flegel) have only a mere expectancy and not as a deferred compensation plan, retirement

benefit plan or other entitlement program in which the Executives have or may acquire any vested interest of any kind or nature. Therefore, should any Executive cease to be employed by the Corporation for any reason whatsoever prior to the time at which the Aggregate Payout is actually disbursed, no disbursement shall be made to such Executive (or his or her estate), Notwithstanding the foregoing, S. Leslie Flegel shall have a vest right to disbursement in accordance with any then effective agreement between the Corporation and Mr. Flegel with respect to his employment by the Corporation.

SECTION 7 - ADMINISTRATION

7.1 UNSECURED CLAIM, FUNDING AND NON-ASSIGNABILITY. The right of an Executive to receive a distribution hereunder shall be an unsecured claim against the general assets of the Corporation, and no Executive shall have any rights in or against any amount credited to any accounts under this Program or any other assets of the Corporation. The Program at all times shall be considered entirely unfunded both for tax purposes and for purposes of Title I of the Employee Retirement Income Security Act of 1974, as amended. Any disbursement which may be payable pursuant to this Program are not subject in any manner to anticipation, sale, alienation, transfer, assignment, pledge, encumbrance, attachment, or garnishment by creditors of an Executive. The Program constitutes a mere promise by the Corporation to make cash disbursements in the future. No interest or right to receive a disbursement may be taken, either voluntarily or involuntarily, for the satisfaction of the debts of, or other obligations or claims against, such person or entity, including claims for alimony, support, separate maintenance and claims in bankruptcy proceedings.

7.2 ADMINISTRATION OF PROGRAM. An integral part of the Program is the ongoing administration of the Program. The Program shall be administered by the Committee, which shall have the authority, duty and power to interpret and construe the provisions of the Program. The Committee shall have the duty and responsibility of maintaining records, making the requisite calculations and disbursing the payments hereunder. The interpretations, determinations, regulations and calculations of the Committee shall be final and binding on all persons and parties concerned, absent manifest error. The Committee shall have the right at any time to appoint a person or committee to perform administrative functions delegated to it by the Committee on the administration of the Program.

7.3 EXPENSE OF ADMINISTRATION. Expenses of administration shall be paid by the Corporation. The Committee of the Corporation shall be entitled to rely on all tables, valuations, certificates, opinions, data and reports furnished by any actuary, accountant, controller, counsel or other person employed or retained by the Corporation with respect to the Program.

7.4 RIGHTS OF EXECUTIVE. The sole rights of an Executive under this Program shall be to have this Program administered according to its provisions, to receive whatever benefits he may be entitled to hereunder, and nothing in the Program shall be interpreted as a guaranty that any assets of the Corporation will be sufficient to pay any disbursement payable hereunder. Further, the adoption and maintenance of this Program shall not be construed as creating any contract of employment between the Corporation and any Executive. The Program shall not affect the right of the Corporation to deal with any Executives in employment respects, including their hiring, discharge, compensation, and conditions of employment.

EXHIBIT 10.22

EXECUTIVE EMPLOYMENT AGREEMENT

ENTERED INTO on February 28, 2005 by and between Jason S. Flegel ("EXECUTIVE"), an individual presently domiciled in Naples, Florida, and SOURCE INTERLINK COMPANIES, INC. (the "COMPANY"), a Missouri corporation having its principal executive offices at 27500 Riverview Center Blvd., Suite 400, Bonita Springs, Florida 34134.

WHEREAS, Executive is currently employed by the Company, and the Company desires to assure itself of the continued benefit of Executive's services and experience, and

WHEREAS, Executive desires to continue in the employ of the Company under the terms and provisions set forth in this Agreement,

NOW, THEREFORE, with the intent to be legally bound, the Company and Executive do hereby covenant and agree as follows.

Section 1. Employment of Executive.

1.1. The Company hereby agrees to employ Executive in the positions described in Section 1.2 below, and Executive hereby accepts such employment, under the terms and provisions set forth in this Agreement.

1.2. During the Period of Employment (defined in Section 2. below), Executive shall serve in the position of Executive Vice President of the Company reporting directly to the Company's Chief Operating Officer ("EXECUTIVE'S SUPERVISOR") and based at the Company offices designated by the Executive's Supervisor. Executive shall have the usual and customary duties, responsibilities and authority of executive vice president, and shall perform such other and additional duties and responsibilities as are consistent with that position and as the Board of Directors of Source Interlink Companies, Inc. (the "BOARD") or the Executive's Supervisor may reasonably require.

1.3. Executive shall devote all of his working time, attention and energy using his best efforts to the performance of his duties and responsibilities, and shall apply the level of skill, diligence, energy, and cooperation to protecting and advancing the interests of the Company and its subsidiaries as can be reasonably expected from a faithful, dedicated, experienced and prudent corporate executive (as applicable under this Section 1) under similar circumstances.

Section 2. Term of Employment.

The term of employment of Executive under this Agreement shall be a five-year period commencing on the date on date hereof and expiring on February 28, 2010 (the "PERIOD OF EMPLOYMENT"). Not later than One Hundred Eighty (180)

days prior to the expiration of the Period of Employment, the Company and the Executive will meet to discuss their respective intentions concerning the continued employment of Executive following the expiration of the Period of Employment

Section 3. Early Termination.

3.1. Notwithstanding the provisions of Section 2 hereof, the Period of Employment shall be subject to early termination at any time:

(a) at the Company's election, by dismissal of Executive from employment with or without Proper Cause (defined in Section 3.2 below) pursuant to resolution of the Board with the written approval of the Executive's Supervisor, or

(b) at the Company's election, upon determination of Disability of Executive pursuant to Section 3.3 below, or

(c) upon death of Executive, or

(d) at Executive's election, by voluntary resignation upon 30 days' advance written notice, with or without Good Reason (defined in Section 3.5 below).

In the event of early termination pursuant to the foregoing paragraphs (a), (b), (c) or (d), the Company's obligations to Executive shall be as set forth in Sections 3.2, 3.3, 3.4 or 3.5, respectively; and Executive shall have no other rights or claims under this Agreement except for (i) reimbursement of previously incurred expenses pursuant to Section 5.1 below and (ii) indemnification pursuant to Section 5.2 below.

3.2. (a) In the event of early termination pursuant to Section 3.1(a) without Proper Cause, the Company shall be and remain obligated to pay and provide to Executive (or his estate) during the remainder of the Period of Employment provided for under Section 2.:

(i) The Base Compensation provided for under Section 4.2 below at the annual salary rates stated therein without further adjustment.

(ii) The right to continued participation in the Company's healthcare plan (referred to in Section 4.5 below) under and subject to the same terms and provisions (including without limitation contribution to premiums, deductibles, co-payments and caps) as are applicable during such period to the Company's executive officers generally.

(b) In the event of early termination pursuant to Section 3.1(a) with Proper Cause, the Company shall thereupon be relieved of its obligations to pay or provide any and all compensation and benefits under Section 4 hereof (except for accrued and unpaid items).

(c) The occurrence of any of the following events or circumstances shall constitute "PROPER CAUSE" for dismissal of Executive from employment under this Agreement:

(i) Disclosure to third parties of trade secrets or other Confidential Information (defined in Section 6 below), or any other misuse or misappropriation thereof, by Executive in violation of the obligations imposed by Section 6 hereof;

(ii) Violation by Executive of the restrictions imposed by Section 7 of this Agreement on competitive activities by Executive;

(iii) Abandonment by Executive of his employment with the Company or any subsidiary or repeated and deliberate failure or refusal by Executive to fulfill his duties and responsibilities under this Agreement in any material respect and Executive's failure or refusal to initiate corrective action within 10 days after written notice by the Company setting forth in reasonable detail the conditions alleged to be encompassed by the foregoing clause;

(iv) Perpetration of any material defalcations by Executive or any other act of financial dishonesty or theft materially and adversely affecting the Company or any of its subsidiaries;

(v) Willful, reckless or grossly negligent conduct by Executive entailing a material violation of the laws or governmental regulations or orders applicable to the Company or its subsidiaries, or imposition by any court or governmental agency of any material restriction upon Executive's ability to perform his duties and responsibilities hereunder;

(vi) Repeated and deliberate failure or refusal by Executive to comply with lawful and ethical policies of the Company or lawful and ethical directives of the Executive's Supervisor;

(vii) Conviction of Executive of a crime in any federal, state or foreign court, or entry of any governmental decree or order against Executive based upon violation of any federal, state or foreign law, and the determination by the Executive's Supervisor, made in his reasonable discretion, that, in the circumstances, the continued association of Executive with the Company will, more likely than not, have a material adverse effect upon the Company, its business or its reputation.

3.3. The term of employment of Executive under this Agreement may be terminated at the election of the Company upon a determination by the Board, made in its sole discretion, that Executive is, or will be, unable, by reason of physical or mental incapacity ("DISABILITY") whether caused by accident, illness, disease or otherwise, to substantially perform the material duties and

responsibilities assigned to him pursuant to this Agreement for a period longer than 90 consecutive days or more than 180 days in any consecutive 12-month period. In the exercise of its discretion, the Board shall give due consideration to, among such other factors as it deems appropriate to the best interests of the Company, the opinion of Executive's personal physician or physicians and the opinion of any physician or physicians selected by the Board for these purposes. Executive shall submit to examination by any physician or physicians so selected by the Board, and shall otherwise cooperate with the Board in making the determination contemplated hereunder (such cooperation to include without limitation consenting to the release of information by any such physician(s) to the Board). In the event of early termination for Disability pursuant to Section 3.1(b), the Company shall thereupon be relieved of its obligations to pay or provide any and all compensation and benefits under Section 4 hereof (except for accrued and unpaid items), but shall be obligated to provide to Executive:

(a) For the period commencing on the date of early termination and ending on the expiration of 24 full calendar months next following the date of early termination, a disability income benefit, payable in monthly installments, in an amount equal to 50% of the annual rate of Base Compensation provided for under Sections 4.2 below, at the annual salary rate in effect on the date of determination of Disability without further adjustment;

(b) For the period commencing on the date which is 24 full calendar months following the date of early termination, a supplemental disability income benefit equal to $12,000 per month for the period commencing on the date of early termination and ending on September 30, 2030 or Executive's earlier death; and

(c) The right to continued participation in the Company's healthcare plan (referred to in Section 4.5 below) under and subject to the same terms and provisions (including without limitation contribution to premiums, deductibles, co-payments and caps) as are applicable during such period to the Company's executive officers generally.

The Company shall be entitled to credit, against its obligation to pay the foregoing benefits, the amounts received from time to time by Executive pursuant to any disability income insurance policy maintained by the Company or under the Source Interlink Companies, Inc. Supplemental Executive Retirement Plan dated as of March 1, 2005.

3.4. In the event of early termination pursuant to Section 3.1(c), the Company shall thereupon be relieved of its obligations to pay or provide any and all compensation and benefits under Section 4 hereof (except for accrued and unpaid items).

3.5 (a) In the event of early termination pursuant to Section 3.1(d) with Good Reason, the provisions of Section 3.2(a) shall apply.

(b) In the event of early termination pursuant to Section 3.1(d) without Good Reason, the provisions of Section 3.2(b) shall apply.

(c) The occurrence of any of the following events or circumstances shall constitute "GOOD REASON" under this Agreement.

(i) repeated and deliberate failure by the Company to substantially comply with its obligations to pay or provide the compensation, benefits and other amounts due and payable to Executive under Sections 4 and 5 below;

(ii) a material reduction in Executive's duties, responsibilities and authority during the Period of Employment; and

in the case of clause (i) or (ii), the failure or refusal by the Company (and/or any successor in interest to the Company) to initiate corrective action within 30 days after written notice by Executive to the Secretary of the Company setting forth in reasonable detail the conditions alleged to be encompassed by the foregoing clause (i) or (ii);

(iii) a Change of Control (defined in Section 3.5(d)).

(d) The occurrence of any of the following events or circumstances shall constitute a "CHANGE OF CONTROL" under this Agreement.

(i) A change in the composition of the Board, as a result of which fewer than one-half (1/2) of the incumbent directors are directors who either: (A) had been directors of the Company on the first day of the Period of Employment (the "ORIGINAL DIRECTORS"); or (B) were elected, or nominated for election, to the Board with the affirmative votes of at least a majority of the aggregate of the Original Directors who were still in office at the time of the election or nomination and the directors whose election or nomination was previously so approved (the "CONTINUING DIRECTORS"); or

(ii) Any "PERSON" (defined below) who by the acquisition or aggregation of securities, is or becomes the "BENEFICIAL OWNER" (defined in Rule 13d-3 under the Securities Exchange Act of 1934, as amended), directly or indirectly, of securities of the Company representing 50% or more of the combined voting power of the Company's then outstanding securities ordinarily (and apart from rights accruing under special circumstances) having the right to vote at elections of directors (the "BASE CAPITAL STOCK"); except that any change in the relative beneficial ownership of the Company's securities by any person resulting solely from a reduction in the aggregate number of outstanding shares of Base Capital Stock, and any decrease thereafter in such person's ownership of securities, shall be disregarded until such person increases in any manner, directly or indirectly, such person's beneficial ownership of any securities of the Company; or

(iii) The consummation of a merger or consolidation of the Company with or into another entity or any other corporate reorganization in which the Company is not the acquiring entity for accounting purposes; or

(iv) The consummation of a sale, transfer or other disposition of all or substantially all of the Company's assets.

For purposes of subsection (ii) above, the term "person" shall have the same meaning as when used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended, but shall exclude (1) a trustee or other fiduciary holding securities under an employee benefit plan maintained by the Company or a parent or subsidiary and (2) a corporation owned directly or indirectly by the shareholders of the Company in substantially the same proportions as their ownership of the common stock of the Company.

Any other provision of this Section 3.5(d) notwithstanding, no event shall constitute a Change of Control under this Agreement if: (A) the sole purpose of the event was to change the state of the Company's incorporation or to create a holding company that will be owned in substantially the same proportions by the persons who held the Company's securities immediately before such transaction; (B) the event was contemplated by that certain Agreement and Plan of Merger, dated November 18, 2004, by and among Source Interlink Companies, Inc., Alliance Entertainment Corp. and Alligator Acquisition, LLC; or (C) following such event, S. Leslie Flegel is employed by the Company or any successor entity with the duties and responsibilities of such entity's principal executive officer.

Section 4. Compensation and Benefits. As consideration for Executive's undertakings set forth in this Agreement and his/her services hereunder, the Company shall pay and provide to Executive during the Period of Employment hereunder, and Executive hereby agrees to accept, the compensation and benefits described in Sections 4.1, 4.2, 4.3, 4.4, 4.5 and 4.6 below.

4.1 Concurrently with the execution and delivery of this Agreement, the Company shall pay to Executive, in cash, the sum of One Hundred Twenty-Five Thousand Dollars ($125,000).

4.2. The Company shall pay to Executive Base Compensation in the form of salary at the following annual rates: (a) during the period from the first day of the Period of Employment through and including January 31, 2006--Four Hundred Thousand Dollars ($400,000); (b) during the period from February 1, 2006 through and including January 31, 2007--Four Hundred Fifty Thousand Dollars ($450,000); (c) during the period from February 1, 2007 through and including January 31, 2008--Four Hundred Seventy-Five Thousand Dollars ($475,000); (d) during the period from February 1, 2008 through and including January 31, 2009--Five Hundred Thousand Dollars ($500,000); and (e) during the period from February 1, 2009 through and including the last day of the Period of Employment--Five Hundred Twenty Thousand Dollars ($520,000). Base Compensation shall be payable

in such installments and at intervals prescribed from time to time under the Company's payroll policies and practices, and shall be subject to such withholdings as are required thereunder or by applicable law.

4.3 Executive also may be awarded a bonus (the "Annual Bonus") each year during the Period of Employment in an amount, not to exceed 75% of Executive's Base Compensation as in effect for such year, in such amount as the Executive's Supervisor may recommend, and the Compensation Committee of the Board may approve, based on such criteria, as the Executive's Supervisor shall have established in his sole and absolute discretion.

4.4. The Company shall permit Executive to participate in all stock option, stock purchase, stock bonus and other equity-based incentive plans and programs (if any) as may be approved by the Board or its Compensation Committee and as the Company chooses to maintain from time to time with

respect to its executive officers generally. Executive's level of participation and entitlements (if any) thereunder shall be subject to the eligibility requirements and all other terms and provisions of such plans and programs (including without limitation amendment and termination), and the determinations of their duly appointed administrators.

4.5 The Company shall permit Executive to participate in all healthcare, supplemental medical expense reimbursement, retirement, life insurance and disability income plans and programs as may be duly adopted and as the Company chooses to maintain from time to time with respect to its executive officers and/or employees generally. Executive's level of participation and benefits thereunder shall be subject to the eligibility requirements and all other terms and provisions of such plans and programs (including without limitation amendment and termination), and the determinations of their duly appointed administrators.

4.6. Executive shall be entitled to 20 business days vacation on an annual basis and all holidays provided under Company policy. For any calendar year during which Executive is employed for only a portion of the year, Executive shall be entitled to the appropriate proportion of the vacation days. Vacation days will not be cumulative, will accrue only for the current year, and must be taken by Executive during the calendar year in which the vacation time accrues. Vacation days will not be converted into cash. Executive shall arrange his vacation so as not to conflict with the needs of the Company.

Section 5. Expenses and Indemnification.

5.1. The Company shall pay directly, or shall reimburse Executive for, such items of reasonable and necessary expense as are incurred by Executive in the interest of the business of the Company. All such expenses paid by Executive

shall be reimbursed by the Company upon the presentation by Executive of an itemized account of such expenditures, sufficient to support their deductibility by the Company for federal income tax purposes (without regard to whether or not the Company's deduction for such expenses is limited for federal income tax purposes), such submissions to be made within thirty (30) days after the date such expenses are incurred.

5.2. In addition to such rights of indemnification as are provided to Executive by the Certificate of Incorporation and/or Bylaws of the Company and its subsidiaries, the Company agrees that, absent a written opinion of independent legal counsel that it would be unlawful to do so, the Company shall promptly pay or advance all costs and expenses (including without limitation attorneys fees) reasonably incurred by Executive in defense of any and all claims, causes of action and charges which may be threatened, asserted or filed against him/her in any judicial, governmental or arbitration proceedings, inquiry or investigation (whether of a civil or criminal nature), arising out of his/her employment under this Agreement or the performance in good faith of his/her duties hereunder, other than such claims, causes of action or charges that may be initiated against Executive upon approval by the Board or the Chief Executive Officer. Executive hereby agrees to promptly reimburse to the Company all such costs and expenses as have been paid or advanced by the Company if it is finally determined as a matter of law that Executive was not entitled to be indemnified for them by the Company. In addition, Executive shall remit to the Company the proceeds of any insurance received by him to defray such costs and expenses as have been paid or advanced by the Company.

Section 6. Protection of Confidential Information and Property.

6.1. Executive acknowledges that, except for information that from time to time has been properly disclosed by the Company in public filings and announcements and commercial dealings, the Company has or may have a legitimate need for and/or interest in protecting the confidentiality of all

information and data pertaining to the business and affairs of the Company and its subsidiaries, including without limitation information and data relating to (i) manufacturing operations and costs, (ii) distribution and servicing methods and costs, (iii) merchandising techniques, (iv) sales and promotional methods, (v) customer, vendor and personnel relationships and arrangements, (vi) research and development projects, (vii) information and data processing technologies, and (viii) strategic and tactical plans and initiatives (all such information and data, other than that which has been properly disclosed as aforesaid, being hereinafter referred to as "CONFIDENTIAL INFORMATION").

6.2. Executive acknowledges that, in the course of his employment, (i) he has participated and/or will participate in the development of Confidential Information, (ii) he has been and/or will be involved in the use and application

of Confidential Information for corporate purposes, and (iii) he otherwise has been and/or will be given access to and entrusted with Confidential Information for corporate purposes or required by judicial, legislative or regulatory process.

6.3. Executive agrees that, during the term of his employment under this Agreement, he shall possess and use the Confidential Information solely and exclusively to protect and advance the interests of the Company and its subsidiaries; and that at all times thereafter, he (i) shall continue to treat the Confidential Information as proprietary to the Company, and (ii) shall not make use of, or divulge to any third party, all or any part of the Confidential Information unless and except to the extent so authorized in writing by the Company.

6.4. Executive acknowledges that, in the course of his employment, he will create and/or be furnished with (i) materials that embody or contain Confidential Information (in written and electronic form) and (ii) other tangible items that are the property of the Company and its subsidiaries. Executive agrees that, upon expiration or other termination of his term of employment under this Agreement, or sooner if the Company so requests, he shall promptly deliver to the Company all such materials and other tangible items so created and/or furnished, including without limitation drawings, blueprints, sketches, manuals, letters, notes, notebooks, reports, lists of customers and vendors, personnel lists, computer disks and printouts, computer hardware and printers, and that he shall not retain any originals or copies of such materials, or any of such tangible items, unless and except to the extent so authorized in writing by the Company.

6.5. Executive agrees to inform all prospective employers of the content of this Section 6 and of Section 7 of this Agreement prior to his acceptance of future employment.

Section 7. Restrictions against Competition and Solicitation.

7.1. Executive agrees that, during the term of his employment hereunder and during the Restricted Period (defined in Section 7.2 below), he shall not in any way, directly or indirectly, manage, operate, control, accept employment or a consulting position with or otherwise advise or assist or be connected with, or own or have any financial interest in, any Competitive Enterprise (defined in Section 7.2 below).

7.2. For purposes of this Section 7:

(a) "RESTRICTED PERIOD" means the greater of:

(i) Period of Employment plus the period of twelve months next following expiration of the Period of Employment; or

(ii) the period during which Executive is receiving payments or benefits from the Company pursuant to Section 3.2(a), 3.3, or 3.5(a) of this Agreement; or

(iii) the period of 24 months next following early termination of the Period of Employment other than for Good Reason.

(b) "COMPETITIVE ENTERPRISE" means any person or business organization engaged, directly or indirectly, in the business of (i) designing, manufacturing and marketing front-end fixtures, shelving and other display equipment and accessories for use by retail stores; (ii) designing, manufacturing and marketing custom wood fixtures, furnishings and millwork for use by commercial enterprises, (iii) distribution and fulfillment of magazines, books, pre-recorded music, video and video games, and other merchandise, (iv) rendering third party billing and collection services with respect to claims for manufacturer rebates and incentive payments payable to retailers respecting the sale of magazines, periodicals, confections and general merchandise, and/or (v) providing sales and marketing data and analyses to retailers and vendors of products distributed by the Company.

7.3. Without limitation of the Company's rights and remedies under this Agreement or as otherwise provided by law or in equity, it is understood and agreed between the parties that the right of Executive to receive and retain any payments otherwise due under this Agreement shall be suspended and canceled if and for so long as he is in violation of the foregoing covenant not to compete.

7.4. If the Period of Employment hereunder shall have been terminated without Proper Cause pursuant to Section 3.1(a) or 3.1(d) for Good Reason, and if Executive shall have duly complied with and observed the covenants of Section 6 and this Section 7, Executive may, at his election, be discharged from the covenants of Section 7.1 at any time on or before the thirtieth (30th) day following such termination by filing with the Company a duly executed statement (in form and content reasonably satisfactory to the Board) releasing the Company and its subsidiaries (and, if applicable, its insurance carriers) from any and all obligations it (or they) may have by reason of such termination (except for accrued and unpaid items).

7.5. Executive agrees further that, during the Restricted Period, he will not, directly or indirectly, either for himself or on behalf of any other person or entity, employ or attempt to employ or solicit the employment or services of any person who is at that time, or has been within six months immediately prior thereto, employed by the Company or any subsidiary of the Company.

Section 8. Injunctive Relief and Costs.

8.1. Executive acknowledges that any violation of or failure to comply with the provisions of Sections 6, 7.1 and 7.5 of this Agreement may cause substantial and irreparable harm to the Company and its subsidiaries (and their constituencies), and that the nature and magnitude of the harm may be difficult or impossible to measure precisely or to compensate adequately with monetary

damages.

8.2. Executive agrees that the Company shall have the right to enforce his/her performance of and compliance with any and all provisions of Sections 6, 7.1 and 7.5 by seeking a restraining order and/or an order of specific performance and/or other injunctive relief against Executive from a court of competent jurisdiction, at any time or from time to time, if it appears that Executive has violated or is about to violate any such provision.

8.3. Executive further agrees that he/she shall be liable for reimbursement of all costs and expenses incurred by the Company and its subsidiaries (including without limitation reasonable attorneys' fees) in connection with any judicial proceeding or arbitration arising out of any violation of or failure to comply with the provisions of Sections 6, 7.1 and 7.5.

8.4. The provisions of this Section 8 are in addition to, and not in lieu of, any other rights and remedies that may be available to the Company for breach of any portion of this Agreement.

Section 9. Compliance with Law and Company Policies.

9.1. Executive warrants and represents to the Company that he/she is not now under any legal or contractual duty or obligation which could prevent, limit or impair in any way his/her full and faithful performance of this Agreement. Executive shall indemnify and hold the Company harmless from and against any claim, loss, damage, liability, cost or expense (including without limitation reasonable attorneys' fees) incurred by or asserted against the Company arising out of or in connection with any breach of this representation and warranty.

9.2. Executive acknowledges that he/she has received and read and understands the intent and purposes of the Company's Code of Business Code and Ethics. Executive shall comply with all lawful rules and policies of the Company, as in effect from time to time.

9.3. Nothing contained in this Agreement shall be interpreted, construed or applied to require the commission of any act contrary to law and whenever there is any conflict between any provision of this Agreement and any statute, law ordinance, order or regulation, the latter shall prevail; but in such event any such provision of this Agreement shall be curtailed and limited only to the extent necessary to bring it within applicable legal requirements.

9.4. Executive acknowledges and agrees that, notwithstanding anything to the contrary in this Agreement, he/she shall not be entitled to, and this Agreement does not confer on Executive, any benefits that constitute (or which, in the Company's good faith determination based on the advice of counsel, would likely constitute) a personal loan in violation of Section 402 of the

Sarbanes-Oxley Act of 2002, including any implementing regulations thereunder, or any similar provision of applicable law (collectively, "Section 402"). In the event that the Company, in good faith and upon the advice of counsel, determines that any provision of this Agreement would, absent this Section, give rise to a potential violation of Section 402, Executive and the Company shall promptly negotiate, in good faith, towards an appropriate amendment to this Agreement that would eliminate such potential violation, but which would, as closely as reasonably possible, afford both the Company and Executive, the same relative economic benefits of their bargain hereunder prior to such amendment.

Section 10. Effect of Business Combination Transactions. In the event of the merger or consolidation of the Company with any unrelated corporation or corporations, or of the sale by the Company of a major portion of its assets or of its business and good will to an unrelated third party, this Agreement shall remain in effect and be assigned and transferred to the Company's successor in interest as an asset of the Company, and the Company shall cause such assignee to assume the Company's obligations hereunder; and in such event Executive hereby confirms his/her agreement to continue to perform his/her duties and responsibilities according to the terms and conditions hereof for such assignee or transferee of this Agreement. It is understood and agreed, however, that the scope of Executive's services under Section 1.1 hereof shall be appropriately modified, at the election of such successor, to cover the segment of such successor's enterprise represented by the Company's assets and operations at the time of such aforementioned transaction.

Section 11. Successors and Assigns.

11.1. This Agreement shall be binding upon, and shall inure to the benefit of, Executive and the Company and their respective permitted successors, assigns, heirs, legal representatives and beneficiaries.

11.2 Except as required by law, no right to receive payments under this Agreement shall be subject to anticipation, commutation, alienation, sale, assignment, encumbrance, charge, pledge or hypothecation or to execution, attachment, levy, or similar process or assignment by operation of law, and any attempt, voluntary or involuntary, to effect any such action shall be null, void and of no effect; provided, however, that nothing in this Section 10 shall preclude the assumption of such rights by executors, administrators or other legal representatives of Executive or his estate and their assigning any rights hereunder to the person or persons entitled thereto.

Section 12. Notices. Any and all notices required or permitted to be given under this Agreement shall be sufficient if furnished in writing and personally delivered, or if sent by registered or certified mail to the last known residence address of Executive or to the Company, Attention: Chief Executive Officer, 27500 Riverview Center Blvd., Suite 400, Bonita Springs, Florida 34134,

or such other place as Executive or the Company may designate in writing to the other for these purposes.

Section 13. Miscellaneous.

13.1. The waiver by either party of a breach or violation of any provision of this Agreement shall not operate as or be construed to be a waiver of any subsequent breach hereof.

13.2. The headings to the Sections hereof are for convenience of reference only, and in case of any conflict, the text of this Agreement, rather than the headings, shall control.

13.3. This Agreement sets forth the entire understanding of the parties in respect of the subject matter contained herein and supersedes all prior agreements, arrangements and understandings relating to the subject matter and may only be amended by a written agreement signed by both parties hereto or their duly authorized representatives. Except as expressly stated herein, however, nothing in this Agreement shall be deemed to affect the Company's duties and obligations, or Executive's rights and benefits, under the Company's existing under the Company's existing Source Interlink Companies 401(k).

13.4. Should a court or arbitrator declare any provision hereof to be invalid, such declaration shall not affect the validity of the Agreement as a whole or any part thereof, other than the specific portion declared to be invalid.

13.5. This Agreement shall be interpreted, construed and governed according to the laws of the State of Florida.

13.6. Any claim, controversy or dispute arising with respect to this Agreement between the parties hereto or anyone claiming under or on behalf of either of the parties (a " Dispute"), other than a Dispute to which Section 8 hereof applies, shall be submitted to final and binding arbitration in accordance with the following:

(a) Any party to an unresolved Dispute may file a written Demand for Arbitration pursuant to this Section 13.5 with the Regional Office of the American Arbitration Association nearest to Bonita Springs, and shall simultaneously send a copy of such Demand to the other party or parties to such Dispute;

(b) Arbitration proceedings under this Section 13.6 shall be conducted in accordance with the Commercial Arbitration Rules of the American Arbitration Association, except that all decisions and awards rendered shall be accompanied by a written opinion setting forth the rationale for such decisions and awards;

(c) Venue for all evidentiary hearings conducted in such proceedings shall be in Lee or Collier County, Florida, as determined by the Arbitrator.

(d) Unless otherwise agreed by the parties thereto, arbitration proceedings under this Section 13.6 shall be conducted before one impartial arbitrator selected through the procedures of the American Arbitration Association. On all matters, the decisions and awards of the arbitrator shall be determinative.

(e) To the extent practicable, the arbitration proceedings under this Section 13.6 shall be conducted in such manner as will enable completion within sixty (60) days after the filing of the Demand for Arbitration hereunder.

(f) The arbitrator may award attorney's fees and costs of arbitration to the substantially prevailing party. Unless and except to the extent so awarded, the costs of arbitration shall be shared equally by the parties, and each party shall bear the fees and expenses of its own attorney. Punitive damages shall not be allowed by the arbitrator. The award may be enforced in such manner as allowed by law.

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Executive Employment Agreement as of the date first written above.

SOURCE INTERLINK COMPANIES, INC.

By:/s/ S. Leslie Flegel

Name: S. Leslie Flegel
Title: Chairman & Chief Executive Officer

/s/ Jason S. Flegel

Jason S. Flegel

EXHIBIT 10.41

EXECUTIVE EMPLOYMENT AGREEMENT

ENTERED INTO on February 28, 2005 by and between Marc Fierman ("EXECUTIVE"), an individual presently domiciled in Naples, Florida, and SOURCE INTERLINK COMPANIES, INC. (the "COMPANY"), a Missouri corporation having its principal executive offices at 27500 Riverview Center Blvd., Suite 400, Bonita Springs, Florida 34134.

WHEREAS, Executive is currently employed by the Company, and the Company desires to assure itself of the continued benefit of Executive's services and experience, and

WHEREAS, Executive desires to continue in the employ of the Company under the terms and provisions set forth in this Agreement,

NOW, THEREFORE, with the intent to be legally bound, the Company and Executive do hereby covenant and agree as follows.

Section 1. Employment of Executive.

1.1. The Company hereby agrees to employ Executive in the positions described in Section 1.2 below, and Executive hereby accepts such employment, under the terms and provisions set forth in this Agreement.

1.2. During the Period of Employment (defined in Section 2. below), Executive shall serve in the position of Executive Vice President and Chief Financial Officer of the Company reporting directly to the Company's Chief Executive Officer ("Executive's Supervisor") and based at the Company offices designated by the Executive's Supervisor. Executive shall have the usual and customary duties, responsibilities and authority of executive vice president, and shall perform such other and additional duties and responsibilities as are consistent with that position and as the Board of Directors of Source Interlink Companies, Inc. (the "BOARD") or the Executive's Supervisor may reasonably require.

1.3. Executive shall devote substantially all of his working time, attention and energy using his best efforts to the performance of his duties and responsibilities, and shall apply the level of skill, diligence, energy, and cooperation to protecting and advancing the interests of the Company and its subsidiaries as can be reasonably expected from a faithful, dedicated, experienced and prudent corporate executive (as applicable under this Section 1) under similar circumstances.

Section 2. Term of Employment.

The term of employment of Executive under this Agreement shall be a five-year period commencing on the date on date hereof and expiring on February

28, 2010 (the "PERIOD OF EMPLOYMENT"). Not later than One Hundred Eighty (180) days prior to the expiration of the Period of Employment, the Company and the Executive will meet to discuss their respective intentions concerning the continued employment of Executive following the expiration of the Period of Employment.

Section 3. Early Termination.

3.1. Notwithstanding the provisions of Section 2 hereof, the Period of Employment shall be subject to early termination at any time:

(a) at the Company's election, by dismissal of Executive from employment with or without Proper Cause (defined in Section 3.2 below) pursuant to resolution of the Board with the written approval of the Executive's Supervisor, or

(b) at the Company's election, upon determination of Disability of Executive pursuant to Section 3.3 below, or

(c) upon death of Executive, or

(d) at Executive's election, by voluntary resignation upon 30 days' advance written notice, with or without Good Reason (defined in Section 3.5 below).

In the event of early termination pursuant to the foregoing paragraphs (a), (b), (c) or (d), the Company's obligations to Executive shall be as set forth in Sections 3.2, 3.3, 3.4 or 3.5, respectively; and Executive shall have no other rights or claims under this Agreement except for (i) reimbursement of previously incurred expenses pursuant to Section 5.1 below and (ii) indemnification pursuant to Section 5.2 below.

3.2. (a) In the event of early termination pursuant to Section 3.1(a) without Proper Cause, the Company shall be and remain obligated to pay and provide to Executive (or his estate) during the remainder of the Period of Employment provided for under Section 2.:

(i) The Base Compensation provided for under Section 4.2 below at the annual salary rates stated therein without further adjustment.

(ii) The right to continued participation in the Company's healthcare plan (referred to in Section 4.5 below) under and subject to the same terms and provisions (including without limitation contribution to premiums, deductibles, co-payments and caps) as are applicable during such period to the Company's executive officers generally.

(b) In the event of early termination pursuant to Section 3.1(a) with Proper Cause, the Company shall thereupon be relieved of its obligations to pay or provide any and all compensation and benefits under Section 4 hereof (except for accrued and unpaid items).

(c) The occurrence of any of the following events or circumstances shall constitute "PROPER CAUSE" for dismissal of Executive from employment under this Agreement:

(i) Disclosure to third parties of trade secrets or other Confidential Information (defined in Section 6 below), or any other misuse or misappropriation thereof, by Executive in violation of the obligations imposed by Section 6 hereof;

(ii) Violation by Executive of the restrictions imposed by Section 7 of this Agreement on competitive activities by Executive;

(iii) Abandonment by Executive of his employment with the Company or any subsidiary or repeated and deliberate failure or refusal by Executive to fulfill his duties and responsibilities under this Agreement in any material respect and Executive's failure or refusal to initiate corrective action within 10 business days after written notice by the Company setting forth in reasonable detail the conditions alleged to be encompassed by the foregoing clause;

(iv) Perpetration by Executive of any theft materially and adversely affecting the Company or any of its subsidiaries;

(v) Repeated and deliberate failure or refusal by Executive to comply with lawful and ethical policies of the Company or lawful and ethical directives of the Executive's Supervisor;

(vi) Conviction of Executive of a crime in any federal, state or foreign court, or entry of any governmental decree or order against Executive based upon violation of any federal, state or foreign law, and the determination by the Executive's Supervisor, made in his reasonable discretion, that, in the circumstances, the continued association of Executive with the Company will, more likely than not, have a material adverse effect upon the Company, its business or its reputation.

3.3. The term of employment of Executive under this Agreement may be terminated at the election of the Company upon a determination by the Board, made in its reasonable discretion, that Executive is, or will be, unable, by reason of physical or mental incapacity ("DISABILITY") whether caused by accident, illness, disease or otherwise, to substantially perform the material duties and responsibilities assigned to him pursuant to this Agreement for a period longer than 90 consecutive days or more than 180 days in any consecutive 12-month period. In the exercise of its discretion, the Board shall give due consideration to, among such other factors as it deems appropriate to the best interests of the Company, the opinion of Executive's personal physician or physicians and the opinion of any physician or physicians selected by the Board

for these purposes. Executive shall submit to examination by any physician or physicians so selected by the Board, and shall otherwise cooperate with the Board in making the determination contemplated hereunder (such cooperation to include without limitation consenting to the release of information by any such physician(s) to the Board). In the event of early termination for Disability pursuant to Section 3.1(b), the Company shall thereupon be relieved of its obligations to pay or provide any and all compensation and benefits under Section 4 hereof (except for accrued and unpaid items), but shall be obligated to provide to Executive:

(a) For the period commencing on the date of early termination and ending on the expiration of 24 full calendar months next following the date of early termination, a disability income benefit, payable in monthly installments, in an amount equal to 50% of the annual rate of Base Compensation provided for under Sections 4.2 below, at the annual salary rate in effect on the date of determination of Disability without further adjustment;

(b) For the period commencing on the date which is 24 full calendar months following the date of early termination, a supplemental disability income benefit equal to $12,000 per month for the period commencing on the date of early termination and ending on November 22, 2025 or Executive's earlier death; and

(c) The right to continued participation in the Company's healthcare plan (referred to in Section 4.5 below) under and subject to the same terms and provisions (including without limitation contribution to premiums, deductibles, co-payments and caps) as are applicable during such period to the Company's executive officers generally.

The Company shall be entitled to credit, against its obligation to pay the foregoing benefits, the amounts received from time to time by Executive pursuant to any disability income insurance policy maintained by the Company or under the Source Interlink Companies, Inc. Supplemental Executive Retirement Plan dated as of March 1, 2005.

3.4. In the event of early termination pursuant to Section 3.1(c), the Company shall thereupon be relieved of its obligations to pay or provide any and all compensation and benefits under Section 4 hereof (except for accrued and unpaid items).

3.5 (a) In the event of early termination pursuant to Section 3.1(d) with Good Reason, the provisions of Section 3.2(a) shall apply.

(b) In the event of early termination pursuant to Section 3.1(d) without Good Reason, the provisions of Section 3.2(b) shall apply.

(c) The occurrence of any of the following events or circumstances shall constitute "GOOD REASON" under this Agreement.

(i) repeated and deliberate failure by the Company to substantially comply with its obligations to pay or provide the compensation, benefits and other amounts due and payable to Executive under Sections 4 and 5 below;

(ii) a material reduction in Executive's duties, responsibilities and authority during the Period of Employment; and

in the case of clause (i) or (ii), the failure or refusal by the Company (and/or any successor in interest to the Company) to initiate corrective action within 30 days after written notice by Executive to the Secretary of the Company setting forth in reasonable detail the conditions alleged to be encompassed by the foregoing clause (i) or (ii);

(iii) a Change of Control (defined in Section 3.5(d)).

(d) The occurrence of any of the following events or circumstances shall constitute a "CHANGE OF CONTROL" under this Agreement.

(i) A change in the composition of the Board, as a result of which fewer than one-half (1/2) of the incumbent directors are directors who either: (A) had been directors of the Company on the first day of the Period of Employment (the "ORIGINAL DIRECTORS"); or (B) were elected, or nominated for election, to the Board with the affirmative votes of at least a majority of the aggregate of the Original Directors who were still in office at the time of the election or nomination and the directors whose election or nomination was previously so approved (the "CONTINUING DIRECTORS"); or

(ii) Any "PERSON" (defined below) who by the acquisition or aggregation of securities, is or becomes the "BENEFICIAL OWNER" (defined in Rule 13d-3 under the Securities Exchange Act of 1934, as amended), directly or indirectly, of securities of the Company representing 50% or more of the combined voting power of the Company's then outstanding securities ordinarily (and apart from rights accruing under special circumstances) having the right to vote at elections of directors (the "BASE CAPITAL STOCK"); except that any change in the relative beneficial ownership of the Company's securities by any person resulting solely from a reduction in the aggregate number of outstanding shares of Base Capital Stock, and any decrease thereafter in such person's ownership of securities, shall be disregarded until such person increases in any manner, directly or indirectly, such person's beneficial ownership of any securities of the Company; or

(iii) The consummation of a merger or consolidation of the Company with or into another entity or any other corporate reorganization in which the Company is not the acquiring entity for accounting purposes; or

(iv) The consummation of a sale, transfer or other disposition of all or substantially all of the Company's assets.

For purposes of subsection (ii) above, the term "person" shall have the same meaning as when used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended, but shall exclude (1) a trustee or other fiduciary holding securities under an employee benefit plan maintained by the Company or a parent or subsidiary and (2) a corporation owned directly or indirectly by the shareholders of the Company in substantially the same proportions as their ownership of the common stock of the Company.

Any other provision of this Section 3.5(d) notwithstanding, no event shall constitute a Change of Control under this Agreement if: (A) the sole purpose of the event was to change the state of the Company's incorporation or to create a holding company that will be owned in substantially the same proportions by the persons who held the Company's securities immediately before such transaction; (B) the event was contemplated by that certain Agreement and Plan of Merger, dated November 18, 2004, by and among Source Interlink Companies, Inc., Alliance Entertainment Corp. and Alligator Acquisition, LLC; or (C) following such event, S. Leslie Flegel is employed by the Company or any successor entity with the duties and responsibilities of such entity's principal executive officer.

Section 4. Compensation and Benefits. As consideration for Executive's undertakings set forth in this Agreement and his/her services hereunder, the Company shall pay and provide to Executive during the Period of Employment hereunder, and Executive hereby agrees to accept, the compensation and benefits described in Sections 4.1, 4.2, 4.3, 4.4, 4.5 and 4.6 below.

4.1 Concurrently with the execution and delivery of this Agreement, the Company shall pay to Executive, in cash, the sum of One Hundred Thirty-Five Thousand Dollars ($135,000).

4.2. The Company shall pay to Executive Base Compensation in the form of salary at the following annual rates: (a) during the period from the first day of the Period of Employment through and including January 31, 2006--Three Hundred Twenty-Five Thousand Dollars ($325,000); (b) during the period from February 1, 2006 through and including January 31, 2007--Three Hundred Fifty Thousand Dollars ($350,000); (c) during the period from February 1, 2007 through and including January 31, 2008--Three Hundred Seventy-Five Thousand Dollars ($375,000); (d) during the period from February 1, 2008 through and including January 31, 2009--Four Hundred Thousand Dollars ($400,000); and (e) during the period from February 1, 2009 through and including the last day of the Period of Employment--Four Hundred Twenty-Five Thousand Dollars ($425,000). Base Compensation shall be payable in such installments and at intervals prescribed from time to time under the Company's payroll policies and practices, and shall be subject to such withholdings as are required thereunder or by applicable law.

4.3 Executive also may be awarded a bonus (the "Annual Bonus") each year during the Period of Employment in an amount, not to exceed 50% of Executive's

Base Compensation as in effect for such year, in such amount as the Executive's Supervisor may recommend, and the Compensation Committee of the Board may approve, based on such criteria, as the Executive's Supervisor shall have established in his sole and absolute discretion.

4.4. The Company shall permit Executive to participate in all stock option, stock purchase, stock bonus and other equity-based incentive plans and programs (if any) as may be approved by the Board or its Compensation Committee and as the Company chooses to maintain from time to time with respect to its executive officers generally. Executive's level of participation and entitlements (if any) thereunder shall be subject to the eligibility requirements and all other terms and provisions of such plans and programs (including without limitation amendment and termination), and the determinations of their duly appointed administrators.

4.5 The Company shall permit Executive to participate in all healthcare, supplemental medical expense reimbursement, retirement, life insurance and disability income plans and programs as may be duly adopted and as the Company chooses to maintain from time to time with respect to its executive officers and/or employees generally. Executive's level of participation and benefits thereunder shall be subject to the eligibility requirements and all other terms and provisions of such plans and programs (including without limitation amendment and termination), and the determinations of their duly appointed administrators.

4.6. Executive shall be entitled to 20 business days vacation on an annual basis and all holidays provided under Company policy. For any calendar year during which Executive is employed for only a portion of the year, Executive shall be entitled to the appropriate proportion of the vacation days. Vacation days will not be cumulative, will accrue only for the current year, and must be taken by Executive during the calendar year in which the vacation time accrues. Vacation days will not be converted into cash. Executive shall arrange his vacation so as not to conflict with the needs of the Company.

Section 5. Expenses and Indemnification.

5.1. The Company shall pay directly, or shall reimburse Executive for, such items of reasonable and necessary expense as are incurred by Executive in the interest of the business of the Company. All such expenses paid by Executive shall be reimbursed by the Company upon the presentation by Executive of an itemized account of such expenditures, sufficient to support their deductibility by the Company for federal income tax purposes (without regard to whether or not the Company's deduction for such expenses is limited for federal income tax purposes), such submissions to be made within sixty (60) days after the date such expenses are incurred.

5.2. In addition to such rights of indemnification as are provided to Executive by the Certificate of Incorporation and/or Bylaws of the Company and its subsidiaries, the Company agrees that, absent a written opinion of independent legal counsel that it would be unlawful to do so, the Company shall promptly pay or advance all costs and expenses (including without limitation attorneys fees) reasonably incurred by Executive in defense of any and all claims, causes of action and charges which may be threatened, asserted or filed against him/her in any judicial, governmental or arbitration proceedings, inquiry or investigation (whether of a civil or criminal nature), arising out of his/her employment under this Agreement or the performance in good faith of his/her duties hereunder, other than such claims, causes of action or charges that may be initiated against Executive upon approval by the Board or the Chief Executive Officer. Executive hereby agrees to promptly reimburse to the Company all such costs and expenses as have been paid or advanced by the Company if it is finally determined as a matter of law that Executive was not entitled to be indemnified for them by the Company. In addition, Executive shall remit to the Company the proceeds of any insurance received by him to defray such costs and expenses as have been paid or advanced by the Company.

Section 6. Protection of Confidential Information and Property.

6.1. Executive acknowledges that, except for information that from time to time has been properly disclosed by the Company in public filings and announcements and commercial dealings, the Company has or may have a legitimate need for and/or interest in protecting the confidentiality of all information and data pertaining to the business and affairs of the Company and its subsidiaries, including without limitation information and data relating to (i) manufacturing operations and costs, (ii) distribution and servicing methods and costs, (iii) merchandising techniques, (iv) sales and promotional methods, (v) customer, vendor and personnel relationships and arrangements, (vi) research and development projects, (vii) information and data processing technologies, and (viii) strategic and tactical plans and

initiatives (all such information and data, other than that which has been properly disclosed as aforesaid, being hereinafter referred to as "CONFIDENTIAL INFORMATION").

6.2. Executive acknowledges that, in the course of his employment, (i) he has participated and/or will participate in the development of Confidential Information, (ii) he has been and/or will be involved in the use and application of Confidential Information for corporate purposes, and (iii) he otherwise has been and/or will be given access to and entrusted with Confidential Information for corporate purposes.

6.3. Executive agrees that, during the term of his employment under this Agreement, he shall possess and use the Confidential Information solely and

exclusively to protect and advance the interests of the Company and its subsidiaries; and that at all times thereafter, he (i) shall continue to treat the Confidential Information as proprietary to the Company, and (ii) shall not make use of, or divulge to any third party, all or any part of the Confidential Information unless and except to the extent so authorized in writing by the Company or required by judicial, legislative or regulatory process.

6.4. Executive acknowledges that, in the course of his employment, he will create and/or be furnished with (i) materials that embody or contain Confidential Information (in written and electronic form) and (ii) other tangible items that are the property of the Company and its subsidiaries. Executive agrees that, upon expiration or other termination of his term of employment under this Agreement, or sooner if the Company so requests, he shall promptly deliver to the Company all such materials and other tangible items so created and/or furnished, including without limitation drawings, blueprints, sketches, manuals, letters, notes, notebooks, reports, lists of customers and vendors, personnel lists, computer disks and printouts, computer hardware and printers, and that he shall not retain any originals or copies of such materials, or any of such tangible items, unless and except to the extent so authorized in writing by the Company.

6.5. Executive agrees to inform all prospective employers of the content of this Section 6 and of Section 7 of this Agreement prior to his acceptance of future employment.

Section 7. Restrictions against Competition and Solicitation.

7.1. Executive agrees that, during the term of his employment hereunder and during the Restricted Period (defined in Section 7.2 below), he shall not in any way, directly or indirectly, manage, operate, control, accept employment or a consulting position with or otherwise advise or assist or be connected with, or own or have any financial interest in, any Competitive Enterprise (defined in Section 7.2 below).

7.2. For purposes of this Section 7:

(a) "RESTRICTED PERIOD" means the greater of:

(i) Period of Employment plus the period of twelve months next following expiration of the Period of Employment; or

(ii) the period during which Executive is receiving payments or benefits from the Company pursuant to Section 3.2(a), 3.3, or 3.5(a) of this Agreement; or

(iii) the period of 24 months next following early termination of the Period of Employment other than for Good Reason.

(b) "COMPETITIVE ENTERPRISE" means any person or business organization engaged, directly or indirectly, in the business of (i) designing, manufacturing and marketing front-end fixtures, shelving and other display equipment and accessories for use by retail stores; (ii) designing, manufacturing and marketing custom wood fixtures, furnishings and millwork for use by commercial enterprises, (iii) distribution and fulfillment of magazines, books, pre-recorded music, video and video games, and other merchandise, (iv) rendering third party billing and collection services with respect to claims for manufacturer rebates and incentive payments payable to retailers respecting the sale of magazines, periodicals, confections and general merchandise, and/or (v) providing sales and marketing data and analyses to retailers and vendors of products distributed by the Company.

7.3. Without limitation of the Company's rights and remedies under this Agreement or as otherwise provided by law or in equity, it is understood and agreed between the parties that the right of Executive to receive and retain any payments otherwise due under this Agreement shall be suspended and canceled if and for so long as he is in violation of the foregoing covenant not to compete.

7.4. If the Period of Employment hereunder shall have been terminated without Proper Cause pursuant to Section 3.1(a) or 3.1(d) for Good Reason, and if Executive shall have duly complied with and observed the covenants of Section 6 and this Section 7, Executive may, at his election, be discharged from the covenants of Section 7.1 at any time on or before the thirtieth (30th) day following such termination by filing with the Company a duly executed statement (in form and content reasonably satisfactory to the Board of Directors of the Company) releasing the Company and its subsidiaries (and, if applicable, its insurance carriers) from any and all obligations it (or they) may have by reason of such termination (except for accrued and unpaid items).

7.5. Executive agrees further that, during the Restricted Period, he will not, directly or indirectly, either for himself or on behalf of any other person or entity, employ or attempt to employ or solicit the employment or services of any person who is at that time, or has been within six months immediately prior thereto, employed by the Company or any subsidiary of the Company.

Section 8. Injunctive Relief and Costs.

8.1. Executive acknowledges that any violation of or failure to comply with the provisions of Sections 6, 7.1 and 7.5 of this Agreement may cause substantial and irreparable harm to the Company and its subsidiaries (and their constituencies), and that the nature and magnitude of the harm may be difficult or impossible to measure precisely or to compensate adequately with monetary damages.

8.2. Executive agrees that the Company shall have the right to enforce his/her performance of and compliance with any and all provisions of Sections 6, 7.1 and 7.5 by seeking a restraining order and/or an order of specific performance and/or other injunctive relief against Executive from a court of competent jurisdiction, at any time or from time to time, if it appears that

Executive has violated or is about to violate any such provision.

8.3. Executive further agrees that he/she shall be liable for reimbursement of all costs and expenses incurred by the Company and its subsidiaries (including without limitation reasonable attorneys' fees) in connection with any judicial proceeding or arbitration arising out of any violation of or failure to comply with the provisions of Sections 6, 7.1 and 7.5.

8.4. The provisions of this Section 8 are in addition to, and not in lieu of, any other rights and remedies that may be available to the Company for breach of any portion of this Agreement.

Section 9. Compliance with Law and Company Policies.

9.1. Executive warrants and represents to the Company that he/she is not now under any legal or contractual duty or obligation which could prevent, limit or impair in any way his/her full and faithful performance of this Agreement. Executive shall indemnify and hold the Company harmless from and against any claim, loss, damage, liability, cost or expense (including without limitation reasonable attorneys' fees) incurred by or asserted against the Company arising out of or in connection with any breach of this representation and warranty.

9.2. Executive acknowledges that he/she has received and read and understands the intent and purposes of the Company's Code of Business Code and Ethics. Executive shall comply with all lawful rules and policies of the Company, as in effect from time to time.

9.3. Nothing contained in this Agreement shall be interpreted, construed or applied to require the commission of any act contrary to law and whenever there is any conflict between any provision of this Agreement and any statute, law ordinance, order or regulation, the latter shall prevail; but in such event any such provision of this Agreement shall be curtailed and limited only to the extent necessary to bring it within applicable legal requirements.

9.4. Executive acknowledges and agrees that, notwithstanding anything to the contrary in this Agreement, he/she shall not be entitled to, and this Agreement does not confer on Executive, any benefits that constitute (or which, in the Company's good faith determination based on the advice of counsel, would likely constitute) a personal loan in violation of Section 402 of the Sarbanes-Oxley Act of 2002, including any implementing regulations thereunder, or any similar provision of applicable law (collectively, "Section 402"). In the event that the Company, in good faith and upon the advice of counsel, determines that any provision of this Agreement would, absent this Section, give rise to a potential violation of Section 402, Executive and the Company shall promptly negotiate, in good faith, towards an appropriate amendment to this Agreement that would eliminate such potential violation, but which would, as closely as

reasonably possible, afford both the Company and Executive, the same relative economic benefits of their bargain hereunder prior to such amendment.

Section 10. Effect of Business Combination Transactions. In the event of the merger or consolidation of the Company with any unrelated corporation or corporations, or of the sale by the Company of a major portion of its assets or of its business and good will to an unrelated third party, this Agreement shall remain in effect and be assigned and transferred to the Company's successor in interest as an asset of the Company, and the Company shall cause such assignee to assume the Company's obligations hereunder; and in such event Executive hereby confirms his/her agreement to continue to perform his/her duties and responsibilities according to the terms and conditions hereof for such assignee or transferee of this Agreement. It is understood and agreed, however, that the scope of Executive's services under Section 1.1 hereof shall be appropriately modified, at the election of such successor, to cover the segment of such successor's enterprise represented by the Company's assets and operations at the time of such aforementioned transaction.

Section 11. Successors and Assigns.

11.1. This Agreement shall be binding upon, and shall inure to the benefit of, Executive and the Company and their respective permitted successors, assigns, heirs, legal representatives and beneficiaries.

11.2 Except as required by law, no right to receive payments under this Agreement shall be subject to anticipation, commutation, alienation, sale, assignment, encumbrance, charge, pledge or hypothecation or to execution, attachment, levy, or similar process or assignment by operation of law, and

any attempt, voluntary or involuntary, to effect any such action shall be null, void and of no effect; provided, however, that nothing in this Section 10 shall preclude the assumption of such rights by executors, administrators or other legal representatives of Executive or his estate and their assigning any rights hereunder to the person or persons entitled thereto.

Section 12. Notices. Any and all notices required or permitted to be given under this Agreement shall be sufficient if furnished in writing and personally delivered, or if sent by registered or certified mail to the last known residence address of Executive or to the Company, Attention: Chief Executive Officer, 27500 Riverview Center Blvd., Suite 400, Bonita Springs, Florida 34134, or such other place as Executive or the Company may designate in writing to the other for these purposes.

Section 13. Miscellaneous.

13.1. The waiver by either party of a breach or violation of any provision

of this Agreement shall not operate as or be construed to be a waiver of any subsequent breach hereof.

13.2. The headings to the Sections hereof are for convenience of reference only, and in case of any conflict, the text of this Agreement, rather than the headings, shall control.

13.3. This Agreement sets forth the entire understanding of the parties in respect of the subject matter contained herein and supersedes all prior agreements, arrangements and understandings relating to the subject matter and may only be amended by a written agreement signed by both parties hereto or their duly authorized representatives. Except as expressly stated herein, however, nothing in this Agreement shall be deemed to affect the Company's duties and obligations, or Executive's rights and benefits, under the Company's existing under the Company's existing Source Interlink Companies 401(k).

13.4. Should a court or arbitrator declare any provision hereof to be invalid, such declaration shall not affect the validity of the Agreement as a whole or any part thereof, other than the specific portion declared to be invalid.

13.5. This Agreement shall be interpreted, construed and governed according to the laws of the State of Florida.

13.6. Any claim, controversy or dispute arising with respect to this Agreement between the parties hereto or anyone claiming under or on behalf of either of the parties (a " Dispute"), other than a Dispute to which Section 8 hereof applies, shall be submitted to final and binding arbitration in accordance with the following:

(a) Any party to an unresolved Dispute may file a written Demand for Arbitration pursuant to this Section 13.5 with the Regional Office of the American Arbitration Association nearest to Bonita Springs, and shall simultaneously send a copy of such Demand to the other party or parties to such Dispute;

(b) Arbitration proceedings under this Section 13.6 shall be conducted in accordance with the Commercial Arbitration Rules of the American Arbitration Association, except that all decisions and awards rendered shall be accompanied by a written opinion setting forth the rationale for such decisions and awards;

(c) Venue for all evidentiary hearings conducted in such proceedings shall be in Lee or Collier County, Florida, as determined by the Arbitrator.

(d) Unless otherwise agreed by the parties thereto, arbitration proceedings under this Section 13.6 shall be conducted before one impartial arbitrator

selected through the procedures of the American Arbitration Association. On all matters, the decisions and awards of the arbitrator shall be determinative.

(e) To the extent practicable, the arbitration proceedings under this Section 13.6 shall be conducted in such manner as will enable completion within sixty (60) days after the filing of the Demand for Arbitration hereunder.

(f) The arbitrator may award attorney's fees and costs of arbitration to the substantially prevailing party. Unless and except to the extent so awarded, the costs of arbitration shall be shared equally by the parties, and each party shall bear the fees and expenses of its own attorney. Punitive damages shall not be allowed by the arbitrator. The award may be enforced in such manner as allowed by law.

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Agreement as of the date first written above.

SOURCE INTERLINK COMPANIES, INC.

By: /s/ S. Leslie Flegel

Name: S. Leslie Flegel
Title: Chairman & Chief Executive Officer

/s/ Marc Fierman

Marc Fierman

EXHIBIT 10.44

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AMENDED AND RESTATED LOAN AGREEMENT

BY AND AMONG

SOURCE INTERLINK COMPANIES, INC.

AND

EACH OF ITS SUBSIDIARIES THAT ARE NAMED HEREIN AS BORROWERS

AS BORROWERS,

EACH OF ITS SUBSIDIARIES THAT ARE NAMED HEREIN AS GUARANTORS

AS GUARANTORS,

THE LENDERS THAT ARE SIGNATORIES HERETO

AS THE LENDERS,

AND

WELLS FARGO FOOTHILL, INC.

AS THE ARRANGER, ADMINISTRATIVE AGENT AND COLLATERAL AGENT

DATED AS OF FEBRUARY 28, 2005

==========

AMENDED AND RESTATED LOAN AGREEMENT

THIS AMENDED AND RESTATED LOAN AGREEMENT (this "Agreement"), is entered into as of February 28, 2005, by and among, on the one hand, the lenders identified on the signature pages hereof (such lenders, together with their respective successors and permitted assigns, are referred to hereinafter each individually as a "Lender" and collectively as the "Lenders"), WELLS FARGO FOOTHILL, INC., a California corporation ("WFF"), as the arranger and administrative agent for the Lenders ("Agent"), WFF, as collateral agent for the Lenders ("Collateral Agent"), and, on the other hand, SOURCE INTERLINK COMPANIES, INC., a Delaware corporation ("Parent"), as successor by merger to Source Interlink Companies, Inc., a Missouri corporation ("Source Missouri"), pursuant to the Reincorporation Merger (as hereinafter defined), each of Parent's Subsidiaries identified on the signature pages hereof as "Borrowers"

(such Subsidiaries, together with Parent, are referred to hereinafter each individually as a "Borrower", and individually and collectively, jointly and severally, as the "Borrowers"), and each of Parent's Subsidiaries identified on the signature pages hereof as "Guarantors" (such Subsidiaries are referred to hereinafter each individually as a "Guarantor", and individually and collectively, jointly and severally, as the "Guarantors").

WITNESSETH:

WHEREAS, Source Missouri and the Subsidiaries of Source Missouri in existence immediately prior to the Alliance Merger (as hereinafter defined), as borrowers or guarantors (the "Existing Loan Parties"), and WFF, as lender and Agent, are parties to the Loan Agreement, dated as of October 30, 2003, as amended through the date hereof (the "Existing Loan Agreement"), pursuant to which WFF extended credit to the Existing Loan Parties consisting of (i) a term loan in the outstanding principal amount of $10,000,000 (the "Existing Term Loan") and (ii) a revolving credit facility in an aggregate principal amount not to exceed $40,000,000 at any time outstanding, which included a sub-facility for the issuance of letters of credit (the "Existing Revolving Credit Facility"; together with the Existing Term Loan, the "Existing Loan Facility");

WHEREAS, on the date hereof, Source Missouri and Alliance Entertainment Corp., a Delaware corporation ("Alliance"), have consummated the Alliance Merger, pursuant to which Alliance merged with and into Alligator Acquisition LLC, a Delaware limited liability company and a Subsidiary of Source Missouri ("Source Alliance"), with Source Alliance being the surviving entity of such merger;

WHEREAS, immediately after giving effect to the Alliance Merger, Parent and Source Missouri consummated the Reincorporation Merger, pursuant to which Source Missouri merged with and into Parent, with Parent being the surviving entity of such merger;

WHEREAS, in connection with the Alliance Merger and the Reincorporation Merger, the Existing Loan Parties, WFF and the Agent have agreed to amend and restate the Existing Loan Agreement to provide for (i) the addition of Source Alliance and its Subsidiaries as Loan Parties, (ii) the conversion of the remaining outstanding principal of the Existing Term Loan and the outstanding advances under the Existing Revolving Credit Facility into an Advance under this Agreement (the "Existing Loan Facility Advance"), (iii) a Revolver Commitment of

$200,000,000, of which up to $25,000,000 may be used for Letters of Credit (the "Facility" as hereinafter further defined), (iv) extension of the maturity of the Facility until October 31, 2010, and (v) certain other modifications as set forth herein; and

WHEREAS, the proceeds of the Facility will be used (i) to finance transaction expenses incurred in connection with the Alliance Merger, the

Reincorporation Merger and this Agreement (including, without limitation, payment for fractional shares and payments to dissenting shareholders), (ii) repay certain existing indebtedness of Alliance and its Subsidiaries, (iii) for the extension of the Existing Loan Facility Advance, (iv) for working capital and general corporate purposes of the Borrowers and (v) to finance Permitted Acquisitions, in each case subject to the terms and conditions set forth herein.

NOW THEREFORE, in consideration of the mutual covenants and agreements herein contained and of the advances, extensions of credit and commitments referred to herein, the parties hereto agree to amend and restate the Existing Loan Agreement as follows:

1. DEFINITIONS AND CONSTRUCTION.

1.1. DEFINITIONS. As used in this Agreement, the following terms shall have the following definitions:

"Acceptable Appraiser" means (a) Great American Group, or (b) if (i) Great American Group is unable or unwilling to perform the appraisals of Inventory required under this Agreement, or (ii) Agent otherwise determines in its Permitted Discretion that Great American Group, or the methodology used by Great American Group, is no longer reasonably acceptable, then such other appraiser acceptable to Agent in its Permitted Discretion.

"Account" means an account (as that term is defined in the Code), and any and all supporting obligations in respect thereof.

"Account Debtor" means any Person who is obligated under, with respect to, or on account of, an Account, chattel paper, or a General Intangible.

"ACH Transactions" means any cash management or related services (including the Automated Clearing House processing of electronic funds transfers through the direct Federal Reserve Fedline system) provided by a Bank Product Provider for the account of Administrative Borrower or its Subsidiaries.

"Acquisition" means the acquisition of (i) all or substantially all of the Stock of any Person, or (ii) all or substantially all of the assets of any Person or the assets comprising any material line of business of such Person.

"Administrative Borrower" has the meaning set forth in Section 17.10.

"Advances" has the meaning set forth in Section 2.1(a).

"AEC Associates" means AEC Associates, L.L.C., a Delaware limited liability company.

"AEC/B&N Supply Agreement" means that certain Product Fulfillment Services Agreement by and between AEC One Stop (as assignee of AEC One Stop Group Holding, Inc.) and Barnes and Noble dated March 17, 2004.

"AEC One Stop" means AEC One Stop Group, Inc., an indirect wholly-owned Subsidiary of (i) prior to the Alliance Merger, Alliance and (ii) after giving effect to the Alliance Merger, Source Alliance.

"Affiliate" means, as applied to any Person, any other Person who, directly or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with, such Person. For purposes of this definition, "control" means the possession, directly or indirectly through one or more intermediaries, of the power to direct the management and policies of a Person, whether through the ownership of Stock, by contract, or otherwise; provided, however, that, for purposes of the definition of Eligible Accounts and Section 7.13 hereof: (a) any Person which beneficially owns directly or indirectly 10% or more of the Stock having ordinary voting power for the election of directors or other members of the governing body of a Person or 10% or more of the partnership or other ownership interests of a Person (other than as a limited partner of such Person) shall be deemed an Affiliate of such Person, (b) each director (or comparable manager) of a Person shall be deemed to be an Affiliate of such Person, and (c) each partnership or joint venture in which a Person is a partner or joint venturer shall be deemed an Affiliate of such Person. Notwithstanding the foregoing, the following Persons shall not be deemed Affiliates of the Loan Parties: (i) Barnes and Noble, (ii) WFF, Wells Fargo or any of their respective Affiliates (without giving effect to the proviso to the preceding sentence) and (iii) any Person in which Ronald W. Burkle, or his Family Members or Family Trusts, beneficially owns directly or indirectly Stock or other ownership interests so long as such Person enters into transactions with the Loan Parties in the ordinary course of business on an arm's length basis, and provided that Ronald W. Burkle, or his Family Members or Family Trusts, does not beneficially own directly or indirectly 35% or more of the Stock of such Person having ordinary voting power for the election of directors or other members of the governing body of such Person or 35% or more of the partnership or other ownership interests of such Person (other than as a limited partner of such Person).

"Agent" means WFF, in its capacity as arranger and administrative agent hereunder, and any successor thereto.

"Agent Advances" has the meaning set forth in Section 2.3(e)(i).

"Agent-Related Persons" means Agent and Collateral Agent, together with their respective Affiliates, officers, directors, employees, attorneys, and agents.

"Agent's Account" means the Deposit Account of Agent identified on Schedule A-1.

"Agreement" has the meaning set forth in the preamble to this

Agreement.

"Alliance" has the meaning set forth in the recitals hereto.

"Alliance Merger" means the merger of Alliance with and into Source Alliance, with Source Alliance being the surviving entity, and the related transactions contemplated by the

Alliance Merger Agreement. The Alliance Merger provides, among other things, that (i) upon such merger the then existing Stock of Alliance shall cease to exist and the holders of such Stock shall cease to have any rights with respect thereto and (ii) the Stock of Alliance will be automatically converted into newly issued and outstanding Stock of Parent.

"Alliance Merger Agreement" means the Agreement and Plan of Merger, by and among Source Missouri, Alliance and Source Alliance, dated as of November 18, 2004, as amended on or prior to the Closing Date.

"Alliance Merger Documents" means the Alliance Merger Agreement and each other document and instrument executed in connection with the Alliance Merger, which shall include all schedules, exhibits and annexes thereto.

"Appraised Value" means the "Going Out of Business" value of any Inventory, determined by the most recent appraisal performed by an Acceptable Appraiser, which appraisal is in form and substance satisfactory to Agent (it being agreed that the methodology used by Great American Group as of the Closing Date is acceptable).

"Assignee" has the meaning set forth in Section 14.1(a).

"Assignment and Acceptance" means an Assignment and Acceptance Agreement substantially in the form of Exhibit A-1.

"Authorized Person" means any officer or employee of Administrative Borrower.

"Availability" means, as of any date of determination, the amount that Borrowers are entitled to borrow as Advances hereunder (after giving effect to all then outstanding Obligations (other than Bank Product Obligations) and all sublimits and reserves then applicable hereunder).

"B&N Supply Agreements" means the AEC/B&N Supply Agreement and the IPD/B&N Supply Agreement.

"Bank Product" means any financial accommodation extended to Administrative Borrower or its Subsidiaries by a Bank Product Provider (other

than pursuant to this Agreement) including: (a) credit cards, (b) credit card processing services, (c) debit cards, (d) purchase cards, (e) ACH Transactions, (f) cash management, including controlled disbursement, accounts or services, or (g) transactions under Hedge Agreements.

"Bank Product Agreements" means those agreements entered into from time to time by Administrative Borrower or its Subsidiaries with a Bank Product Provider in connection with the obtaining of any of the Bank Products.

"Bank Product Obligations" means all obligations, liabilities, contingent reimbursement obligations, fees, and expenses owing by Administrative Borrower or its Subsidiaries to any Bank Product Provider pursuant to or evidenced by the Bank Product Agreements and irrespective of whether for the payment of money, whether direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising, and including all

such amounts that Administrative Borrower or its Subsidiaries are obligated to reimburse to Agent or any member of the Lender Group as a result of Agent or such member of the Lender Group purchasing participations from, or executing indemnities or reimbursement obligations to, a Bank Product Provider with respect to the Bank Products provided by such Bank Product Provider to Administrative Borrower or its Subsidiaries.

"Bank Product Provider" means Wells Fargo or any of its Affiliates.

"Bank Product Reserve" means, as of any date of determination, the amount of reserves that Agent has established (based upon the Bank Product Providers' reasonable determination of the maximum expected credit exposure in respect of then extant Bank Products) in respect of Bank Products then provided or outstanding, provided that such reserves shall be established at the time Wells Fargo or any of its Affiliates provides the applicable Bank Products, and provided further that the amount of the Bank Product Reserve shall not exceed $2,000,000 at any time.

"Bankruptcy Code" means, as applicable, (i) the United States Bankruptcy Code, (ii) the Bankruptcy and Insolvency Act (Canada) or (iii) the Companies' Creditors Arrangement Act (Canada), or any similar legislation in a relevant jurisdiction, in each case as in effect from time to time.

"Barnes and Noble" means, collectively, Barnes and Noble, Inc., barnesandnoble.com and each of their respective Affiliates.

"Base LIBOR Rate" means the rate per annum, determined by Agent in accordance with its customary procedures, and utilizing such electronic or other quotation sources as it considers appropriate (rounded upwards, if necessary, to the next 1/100%), to be the rate at which Dollar deposits (for delivery on the

first day of the requested Interest Period) are offered to major banks in the London interbank market 2 Business Days prior to the commencement of the requested Interest Period, for a term and in an amount comparable to the Interest Period and the amount of the LIBOR Rate Loan requested (whether as an initial LIBOR Rate Loan or as a continuation of an extant LIBOR Rate Loan or as a conversion of a Base Rate Loan to a LIBOR Rate Loan) by Administrative Borrower in accordance with this Agreement, which determination shall be conclusive in the absence of manifest error.

"Base Rate" means, the rate of interest announced, from time to time, within Wells Fargo at its principal office in San Francisco as its "prime rate", with the understanding that the "prime rate" is one of Wells Fargo's base rates (not necessarily the lowest of such rates) and serves as the basis upon which effective rates of interest are calculated for those loans making reference thereto and is evidenced by the recording thereof after its announcement in such internal publications as Wells Fargo may designate.

"Base Rate Loan" means the portion of the Advances that bears interest at a rate determined by reference to the Base Rate.

"Base Rate Margin" means the percentage points set forth below corresponding to the Interest Coverage Ratio for the twelve-month period ending as of the last day of the immediately preceding fiscal quarter of Parent and its Subsidiaries, as determined by Agent

based upon the financial statements delivered to Agent pursuant to Section 6.3(a) for such fiscal quarter:

<TABLE>
<CAPTION>

Level	Interest Coverage Ratio	Base Rate Margin
<S>	<C>	<C>
I	Greater than 4.75 to 1.0	Zero percentage points
II	Less than or equal to 4.75 to 1.0 but greater than 3.75 to 1.0	0.25 percentage points
III	Less than or equal to 3.75 to 1.0 but greater than 2.00 to 1.0	0.50 percentage points
IV	Less than or equal to 2.00 to 1.0 but greater than 1.50 to 1.0	0.75 percentage points
V	Less than or equal to 1.5 to 1.0	1.00 percentage point

</TABLE>

provided, that, with respect to each of the fiscal quarters of Parent and its Subsidiaries ending on April 30, 2005, July 31, 2005 and October 31, 2005, the Interest Coverage Ratio shall be based on the immediately preceding three-month period, six-month period and the nine-month period, respectively, ending on such date, provided, further, that, notwithstanding the foregoing, (a) each adjustment to the Base Rate Margin shall be effective from the date of delivery of the Loan Parties' financial statements for the fiscal quarter used to determine the Base Rate Margin until the date of delivery of such financial statements pursuant to Section 6.3(a) hereof for the next succeeding fiscal quarter, (b) if the Loan Parties fail to deliver such financial statements to the Agent for any fiscal quarter in accordance with Section 6.3(a) hereof, then until such financial statements are delivered, the Base Rate Margin shall be set in accordance with Level V above, and (c) on and after the Closing Date and until the financial statements are delivered for the fiscal quarter ending on April 30, 2005, the Base Rate Margin shall be set at Level I above.

"Benefit Plan" means a "defined benefit plan" (as defined in Section 3(35) of ERISA) or a benefit plan under Canadian Employee Benefit Laws for which any Loan Party or any Subsidiary or ERISA Affiliate of any Loan Party has been an "employer" (as defined in Section 3(5) of ERISA) or has held equivalent status under Canadian Employee Benefit Laws within the past six years.

"Board of Directors" means the board of directors (or comparable managers) of Parent or any committee thereof duly authorized to act on behalf of the board of directors (or comparable managers).

"Books" means all of Administrative Borrower's and its Subsidiaries' now owned or hereafter acquired books and records (including all of their Records indicating, summarizing, or evidencing their assets (including the Collateral) or liabilities, all of Administrative Borrower's and its Subsidiaries' Records relating to their business operations or financial condition, and all of their goods or General Intangibles related to such information).

"Borders" means, collectively, Borders Group, Inc. and each of its Affiliates.

"Borrower" and "Borrowers" have the respective meanings set forth in the preamble to this Agreement.

"Borrowing" means a borrowing hereunder consisting of Advances made on the same day by the Lenders (or Agent on behalf thereof), or by Swing Lender in the case of a Swing Loan, or by Agent in the case of an Agent Advance, in each case, to Administrative Borrower.

"Borrowing Base" means, as of any date of determination, the result of:

(i) the sum of:

(A) the lesser of:

(x) the sum of: (1) 85% of the amount of Eligible Accounts (other than Foreign Accounts) of the Fulfillment/ANS Business Segment of the Loan Parties, less the amount, if any, of the Dilution Reserve for the Fulfillment/ANS Business Segment of the Loan Parties, (2) 85% of the amount of Eligible Accounts (other than Foreign Accounts) of the Fulfillment/IPD Business Segment of the Loan Parties, less the amount, if any, of the Dilution Reserve for the Fulfillment/IPD Business Segment of the Loan Parties, and (3) 85% of the amount of Eligible Accounts (other than Foreign Accounts) of the Fulfillment/WMS Business Segment of the Loan Parties, less the amount, if any, of the Dilution Reserve for the Fulfillment/WMS Business Segment of the Loan Parties, and

(y) an amount equal to Borrowers' Collections with respect to Fulfillment Accounts for the immediately preceding 45 day period, excluding any Collections with respect to any Foreign Accounts or with respect to the Fulfillment/Source Alliance Business Segment, and

(B) the lesser of:

(x) the sum of: (1) 85% of the amount of Eligible Accounts of the In-Store Services/Wire Business Segment of the Loan Parties, less the amount, if any of the Dilution Reserve for the In-Store Services/Wire Business Segment of the Loan Parties, (2) 85% of the amount of Eligible Accounts of the In-Store Services/Claiming Business Segment of the Loan Parties, less the amount, if any of the Dilution Reserve for the In-Store Services/Claiming Business Segment of the Loan Parties, and (3) 85% of the amount of Eligible Accounts of the In-Store Services/Other Business Segment of the Loan Parties, less the amount, if any of the Dilution Reserve for the In-Store Services/Other Business Segment of the Loan Parties, and

(y) (1) if such date of determination is prior to the first anniversary of the Closing Date, an amount equal to 50% of Borrowers' Collections with respect to In-Store Services Accounts for the

immediately preceding 90 day period, and (2) if such date of determination is on or after the first anniversary of the Closing Date, an amount equal to 33-1/3% of the Borrowers' Collections with respect to In-Store Services Accounts for the immediately preceding 90 day period, and

(C) the lesser of:

(x) the sum of: (1) 85% of the amount of Eligible Accounts of the Wood Manufacturing/NC Business Segment of the Loan Parties, less the amount, if any, of the Dilution Reserve for the Wood Manufacturing/NC Business Segment of the Loan Parties, and (2) 85% of the amount of Eligible Accounts of the Wood Manufacturing/Quincy Business Segment of the Loan Parties, less the amount, if any, of the Dilution Reserve for the Wood Manufacturing/Quincy Business Segment of the Loan Parties, and

(y) an amount equal to Borrowers' Collections with respect to Wood Manufacturing Accounts for the immediately preceding 60 day period, and

(D) 85% of the amount of the Eligible Accounts generated from the Fulfillment/Source Alliance Business Segment of the Loan Parties (excluding Foreign Accounts), less the amount, if any, of the Dilution Reserve for the Fulfillment/Source Alliance Business Segment of the Loan Parties, and

(E) the sum of (x) 85% of the amount of the Guaranteed Foreign Accounts of the Eligible Loan Parties, and (y) 50% of the amount of the WFF Eligible Foreign Accounts of the Eligible Loan Parties, and

(F) the lesser of:

(x) 85% of the Appraised Value of the Eligible Inventory, and

(y) 65% times the aggregate book value, measured at cost, of the Eligible Inventory,

provided that, the aggregate amount of the Borrowing Base that may be supported by (i) In-Store Services Accounts at any time shall not exceed the In-Store Services Subline Amount, (ii) the Guaranteed Foreign Accounts at any time shall not exceed the Foreign EXIM Credit Subline Amount, and (iii) the WFF Eligible Foreign Accounts at any time shall not exceed the Foreign WFF Credit Subline Amount,

minus

(ii) the sum of (i) the Bank Product Reserve, (ii) the Rent Reserve, (iii) the Mortgage Reserve and (iv) the aggregate amount of such other reserves, if any, established by Agent under Section 2.1(b).

"Business Day" means any day that is not a Saturday, Sunday, or other day on which banks are authorized or required to close in the State of New York, except that, if a determination of a Business Day shall relate to a LIBOR Rate Loan, the term "Business Day" also shall exclude any day on which banks are closed for dealings in Dollar deposits in the London interbank market.

"Business Segment" means any of the Fulfillment Business Segments, the In-Store Services Business Segments or the Wood Manufacturing Business Segments.

"Canadian Account Debtors" means Account Debtors which either maintain their chief executive offices in Canada or are organized under the laws of Canada.

"Canadian Documents" means the Canadian Security Agreement, the Canadian Pledge Agreement and the Canadian Guaranty.

"Canadian Employee Benefits Laws" means the Canadian Pension Plan Act (Canada), the Pension Benefit Act (Ontario), the Pension Benefits Standards Act (British Columbia), the Health Insurance Act (Ontario), the Employment Standard Act (Ontario), the Employment Standards Act (British Columbia) and any federal, provincial or local counterparts or equivalents, in each case, as amended from time to time.

"Canadian Guaranty" means, collectively, those certain Amended and Restated Guaranties executed and delivered by the Canadian Guarantors in favor of Agent, for the benefit of Lender Group, in form and substance satisfactory to Agent.

"Canadian Guarantors" means collectively the Subsidiaries of Parent named in Part I of Schedule G-1.

"Canadian Income Tax Act" means the Income Tax Act (Canada), R.S.C. 1985 C.1 (5th Supp), as amended.

"Canadian Pledge Agreement" means, collectively, those certain Amended and Restated Pledge Agreements executed and delivered by the Parent and The Source-Canada Corp. in favor of Collateral Agent, for the benefit of Lender Group and the Bank Product Providers, in form and substance satisfactory to Agent.

"Canadian Security Agreement" means, collectively, those certain Amended and Restated Security Agreements executed and delivered by the Canadian Guarantors in favor of Collateral Agent, for the benefit of Lender Group and the

Bank Product Providers, in form and substance satisfactory to Agent.

"Capital Expenditures" means, with respect to any Person for any period, without duplication, the sum of (a) the aggregate of all expenditures by such Person and its Subsidiaries during such period that are capital expenditures as determined in accordance with GAAP,

whether such expenditures are paid in cash or financed, and (b) to the extent not covered by clause (a), the aggregate of all expenditures by such Person and its Subsidiaries during such period to acquire by purchase or otherwise the business or capitalized assets of, or the Stock of, any other Person.

"Capital Lease" means a lease that is required to be capitalized for financial reporting purposes in accordance with GAAP.

"Capitalized Lease Obligation" means that portion of the obligations under a Capital Lease that is required to be capitalized in accordance with GAAP.

"Cash Equivalents" means (a) marketable direct obligations issued or unconditionally guaranteed by the United States or issued by any agency thereof and backed by the full faith and credit of the United States, in each case maturing within 1 year from the date of acquisition thereof, (b) marketable direct obligations issued by any state of the United States or any political subdivision of any such state or any public instrumentality thereof maturing within 1 year from the date of acquisition thereof and, at the time of acquisition, having one of the two highest ratings obtainable from either Standard & Poor's Rating Group ("S&P") or Moody's Investors Service, Inc. ("Moody's"), (c) commercial paper maturing no more than 270 days from the date of creation thereof and, at the time of acquisition, having a rating of at least A-1 from S&P or at least P-1 from Moody's, (d) certificates of deposit or bankers' acceptances maturing within 1 year from the date of acquisition thereof issued by any bank organized under the laws of the United States or any state thereof having at the date of acquisition thereof combined capital and surplus of not less than $250,000,000, (e) demand Deposit Accounts maintained with any bank organized under the laws of the United States or any state thereof so long as the amount maintained with any individual bank is less than or equal to $100,000 and is insured by the Federal Deposit Insurance Corporation, and (f) Investments in money market funds substantially all of whose assets are invested in the types of assets described in clauses (a) through (e) above.

"Cash Management Account" has the meaning set forth in Section 2.7(a).

"Cash Management Agreements" means those certain cash management agreements, in form and substance satisfactory to Agent, each of which is among Administrative Borrower or one of its Subsidiaries, Agent and/or Collateral

Agent, and one of the Cash Management Banks.

"Cash Management Bank" has the meaning set forth in Section 2.7(a).

"Change of Control" means that (a) any "person" or "group" (within the meaning of Sections 13(d) and 14(d) of the Exchange Act), other than Permitted Holders, becomes the beneficial owner (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of 35%, or more, of the Stock of Parent having the right to vote for the election of members of the Board of Directors, or (b) a majority of the members of the Board of Directors do not constitute Continuing Directors, or (c) any Borrower ceases to own, directly or indirectly, and control 100% of the outstanding Stock of each of its Subsidiaries extant as of the Closing Date.

"Claiming Account Debtor" means an Account Debtor of any Loan Party that is also a creditor of any Loan Party in connection with the Loan Parties' In-Store Services/Claiming Business Segment.

"Closing Date" means the date of the making of the initial Advance (or other extension of credit) hereunder.

"Closing Date Business Plan" means the set of Projections of the Loan Parties for the __ year period following the Closing Date (on a year by year basis, and for the 1 year period following the Closing Date, on a month by month basis).

"Code" means the New York Uniform Commercial Code, as in effect from time to time.

"Collateral" means all assets and interests in personal property and proceeds thereof now owned or hereafter acquired by any Loan Party in or upon which a Lien is granted under any of the Loan Documents.

"Collateral Access Agreement" means a landlord waiver, bailee letter, mortgagee waiver or acknowledgement agreement of any lessor, mortgagee, warehouseman, processor, consignee, or other Person in possession of, having a Lien upon, or having rights or interests in any Loan Party's Books, Equipment or, Inventory, in each case, in form and substance satisfactory to Agent.

"Collateral Agent" means WFF, in its capacity as collateral agent for Agent, the Lenders and the Bank Product Providers.

"Collateral Agent's Liens" means the Liens granted by Loan Parties or their Subsidiaries to the Collateral Agent, for the benefit of the Lender Group and the Bank Product Providers, under any of the Loan Documents.

"Collections" means all cash, checks, notes, instruments, and other items of payment (including insurance proceeds, proceeds of cash sales, rental proceeds, and tax refunds).

"Commitment" means, with respect to each Lender, its Revolver Commitment and, with respect to all Lenders, their Revolver Commitments, in each case as such Dollar amounts are set forth beside such Lender's name under the applicable heading on Schedule C-1 or in the Assignment and Acceptance pursuant to which such Lender became a Lender hereunder in accordance with the provisions of Section 14.1.

"Compliance Certificate" means a certificate substantially in the form of Exhibit C-1 delivered by the chief financial officer, chief executive officer, president, vice president of finance, treasurer or assistant treasurer of Parent, in each case, as identified to Agent in a certificate executed by an Authorized Officer of the Parent on the Closing Date and as updated from time to time by written notice to the Agent.

"Consignment Agreement" means a Consignment Agreement, in form and substance satisfactory to Agent in its Permitted Discretion, made by a consignee of a Loan Parties' Inventory in favor of Collateral Agent.

"Continuing Director" means (a) any member of the Board of Directors who was a director (or comparable manager) of Parent on the Closing Date, (b) any individual who becomes a member of the Board of Directors after the Closing Date if such individual is appointed or nominated by AEC Associates in accordance with the Stockholder's Agreement, and (c) any individual who becomes a member of the Board of Directors after the Closing Date if such individual was appointed or nominated for election to the Board of Directors by a majority of the Continuing Directors, but excluding any such individual originally proposed for election in opposition to the Board of Directors in office at the Closing Date in an actual or threatened election contest relating to the election of the directors (or comparable managers) of Parent and whose initial assumption of office resulted from such contest or the settlement thereof.

"Contribution Agreement" means an Amended and Restated Contribution Agreement executed and delivered by each Borrower and Guarantor, the form and substance of which is satisfactory to Agent.

"Control Agreement" means a control agreement, in form and substance satisfactory to Agent, executed and delivered by any Loan Party, Collateral Agent, and the applicable securities intermediary (with respect to a Securities Account) or a bank (with respect to a Deposit Account).

"Copyright Security Agreement" means a copyright security agreement executed and delivered by each applicable Loan Party and Collateral Agent, the

form and substance of which is satisfactory to Agent.

"Covered Inventory" has the meaning set forth in the definition of "Eligible Inventory".

"Daily Balance" means, as of any date of determination and with respect to any Obligation, the amount of such Obligation owed at the end of such day.

"Default" means an event, condition, or default that, with the giving of notice, the passage of time, or both, would be an Event of Default.

"Defaulting Lender" means any Lender that fails to make any Advance (or other extension of credit) that it is required to make hereunder on the date that it is required to do so hereunder.

"Defaulting Lender Rate" means (a) for the first 3 days from and after the date the relevant payment is due, the Base Rate, and (b) thereafter, the interest rate then applicable to Advances that are Base Rate Loans (inclusive of the Base Rate Margin applicable thereto).

"Deposit Account" or "DDA" means any deposit account (as that term is defined in the Code).

"Designated Account" means the Deposit Account of Administrative Borrower identified on Schedule D-1.

"Designated Account Bank" has the meaning ascribed thereto on Schedule D-1.

"Dilution" means, for each Business Segment, as of any date of determination, a percentage, based upon the experience of the twelve-month period ending as of the last day of the immediately preceding fiscal month, which is the result of dividing the Dollar amount of (a) bad debt write-downs, discounts, advertising allowances, credits, profit sharing deductions or other dilutive items with respect to Loan Parties' Accounts for such Business Segment during such period, by (b) Loan Parties' billings with respect to Accounts for such Business Segment during such period.

"Dilution Reserve" means, for each Business Segment as of any date of determination, an amount sufficient to reduce the advance rate against Eligible Accounts of such Business Segment by 1 percentage point for each percentage point by which Dilution for such Business Segment is in excess of 5%.

"Disbursement Letter" means an instructional letter executed and delivered by Administrative Borrower to Agent regarding the extensions of credit

to be made on the Closing Date, the form and substance of which is satisfactory to Agent.

"Dollars" or "$" means United States dollars.

"EBITDA" means, with respect to any fiscal period, Parent's and its Subsidiaries' consolidated net earnings (or loss), minus (x) extraordinary gains and interest income, plus (y) (i) interest expense, (ii) income taxes, (iii) depreciation, (iv) amortization, (v) plant closure and consolidation costs not to exceed $2,000,000 for any one facility or $8,000,000 in the aggregate during the term of this Agreement, (vi) costs incurred in connection with the Transactions on or prior to February 28, 2006, not to exceed $6,000,000 in the aggregate, (vii) extraordinary losses not to exceed $2,500,000 in the aggregate for all such losses in any Fiscal Year, and (viii) non-cash write-downs of goodwill or other intangible assets (including intellectual property), in each case as determined in accordance with GAAP.

"Eligible Accounts" means those Accounts created by one of the Eligible Loan Parties in the ordinary course of its business, that arise out of its sale of goods or rendition of services, that comply with each of the representations and warranties respecting Eligible Accounts made in the Loan Documents, and that are not excluded as ineligible by virtue of one or more of the excluding criteria set forth below; provided, however, that such criteria may be revised from time to time by Agent in Agent's Permitted Discretion to address the results of any audit performed by Agent from time to time after the Closing Date. In determining the amount to be included, Eligible Accounts shall be calculated net of customer deposits and unapplied cash. Eligible Accounts shall not include the following:

(a) (i) Accounts that the Account Debtor has failed to pay within 90 days of original invoice date, provided that (x) up to $5,000,000 of In-Store Services Accounts outstanding at any time shall not be excluded from Eligible Accounts solely by reason of this subclause (i) if such In-Store Services Accounts are not past the invoice

date by more than 180 days and (y) Fulfillment Accounts (other than Fulfillment/Source Alliance Accounts) owing to an Eligible Loan Party by Barnes and Noble shall not be excluded from Eligible Accounts solely by reason of this subclause (i) if such Accounts are not past the invoice date by more than 120 days, or (ii) Accounts with selling terms of more than 60 days, provided that (A) Fulfillment/WMS Accounts shall not be excluded from Eligible Accounts solely by reason of this subclause (ii) if such Accounts have selling terms of not more than 90 days, and (B) In-Store Services/Claiming Accounts arising under the retail display payment claiming business of US Marketing Services shall not be excluded from Eligible Accounts solely by reason of this subclause (ii) if such Accounts

have selling terms providing for payment not more than 90 days after the end of each calendar quarter,

(b) Accounts owed by an Account Debtor (or its Affiliates) where 50% or more of all Accounts owed by that Account Debtor (or its Affiliates) are deemed ineligible under clause (a) above, provided that no Accounts shall be excluded from Eligible Accounts solely by reason of this clause (b) until the date which is 10 Business Days after Agent has delivered to Administrative Borrower written notice of the effectiveness of this clause (b),

(c) Accounts with respect to which the Account Debtor is an Affiliate of any Loan Party or an employee or agent of any Loan Party or any Affiliate of any Loan Party,

(d) Accounts (other than any Fulfillment Accounts) arising in a transaction wherein goods are placed on consignment or are sold pursuant to a guaranteed sale, a sale or return, a sale on approval, a bill and hold, or any other terms by reason of which the payment by the Account Debtor may be conditional, unless such Accounts arise under a Program Contract which includes the security interest or bill and hold provisions, as applicable, set forth in Exhibit P-1,

(e) Accounts that are not payable in (i) Dollars, (ii) in the case of Accounts of any Canadian Guarantor, Canadian Dollars, or (iii) in the case of Accounts eligible by reason of subclause (y) or (z) of clause (f) below, Australian Dollars or Euros,

(f) Accounts with respect to which the Account Debtor either (i) does not maintain its chief executive office in the United States or Canada, or (ii) is not organized under the laws of the United States or any state thereof, or the laws of Canada or any province thereof, or (iii) is the government of any foreign country or sovereign state, or of any state, province, municipality, or other political subdivision thereof, or of any department, agency, public corporation, or other instrumentality thereof (collectively, "Foreign Accounts"), unless (y) the Account is supported by an irrevocable letter of credit satisfactory to Agent (as to form, substance, and issuer or domestic confirming bank) that has been delivered to Agent and is directly drawable by Agent, or (z) the Account is a Guaranteed Foreign Account or a WFF Eligible Foreign Account,

(g) Accounts with respect to which the Account Debtor is either (i) the United States, Canada or any department, agency, or instrumentality of the United States

(exclusive, however, of Accounts with respect to which the applicable

Borrower has complied, to the reasonable satisfaction of Agent, with the Assignment of Claims Act, 31 USC Section 3727 or the Financial Administration Act (Canada)), or (ii) any state of the United States or province of Canada,

(h) (i) Accounts with respect to which the Account Debtor, other than a Claiming Account Debtor, (A) is a creditor of any Loan Party, (B) has or has asserted a right of setoff, or (C) has disputed its obligation to pay all or any portion of the Account, in each case, to the extent of such claim, right of setoff, or dispute, unless in the case of clause (A) or (B) the Account Debtor has waived any right of set-off in writing, and (ii) Accounts with respect to which the Account Debtor is both a Claiming Account Debtor and a creditor of any Loan Party and (A) has or has asserted a right of setoff, or (B) has disputed its obligation to pay all or any portion of the Account, in each case, to the extent of such claim, right of setoff, or dispute, unless in the case of clause (A) the Account Debtor has waived any right of set-off in writing,

(i) Accounts with respect to an Account Debtor whose total obligations owing to any Business Segment of the Loan Parties exceed (A) if such Account Debtor is Borders, 40% for such Account Debtor in each such Business Segment, and (B) for all other Account Debtors, 10% for each such Account Debtor (such applicable percentage, as applied to a particular Account Debtor, being subject to reduction by Agent in its Permitted Discretion if the creditworthiness of such Account Debtor deteriorates) of all Eligible Accounts to such Business Segment, to the extent of the obligations owing by such Account Debtor to such Business Segment in excess of such percentages; provided, however, that, in each case, the amount of Eligible Accounts that are excluded because they exceed the foregoing percentages shall be determined by Agent based on all of the otherwise Eligible Accounts of such Business Segments prior to giving effect to any eliminations based upon the foregoing concentration limit for such Business Segment, and provided further that there shall be no limitation on the obligations owing to Eligible Loan Parties by Barnes and Noble,

(j) Accounts owing by an Account Debtor whose total obligations owing to the Loan Parties, on a consolidated basis, exceed (A) if such Account Debtor is Borders, 40% for each such Account Debtor, and (B) for all other Account Debtors, 10% for each such Account Debtor (such applicable percentage, as applied to a particular Account Debtor, being subject to reduction by Agent in its Permitted Discretion if the creditworthiness of such Account Debtor deteriorates) of all Eligible Accounts, to the extent of the obligations in excess of such percentage owing by such Account Debtor, as applicable; provided, however, that, in each case, the amount of Eligible Accounts that are excluded because they exceed the foregoing percentage shall be determined by Agent based on all of the otherwise Eligible Accounts prior to giving effect to any eliminations based upon the foregoing concentration limit, and provided further that there shall be no limitation on the obligations owing to Eligible Loan Parties by Barnes and Noble,

(k) Accounts with respect to which the Account Debtor is subject to an Insolvency Proceeding, is not Solvent, has gone out of business, or as to which a Loan

Party has received notice of an imminent Insolvency Proceeding or a material impairment of the financial condition of such Account Debtor,

(l) Accounts with respect to which the Account Debtor is located in a state or jurisdiction that requires, as a condition to access to the courts of such jurisdiction, that a creditor qualify to transact business, file a business activities report or other report or form, or take one or more other actions, unless the applicable Eligible Loan Party has so qualified, filed such reports or forms, or taken such actions (and, in each case, paid any required fees or other charges), except to the extent that the applicable Eligible Loan Party may qualify subsequently as a foreign entity authorized to transact business in such state or jurisdiction and gain access to such courts, and such later qualification cures any access to such courts to enforce payment of such Account,

(m) Accounts, the collection of which, Agent, in its Permitted Discretion, believes to be doubtful by reason of the Account Debtor's financial condition,

(n) Accounts that are not subject to a valid and perfected first priority Collateral Agent's Lien,

(o) Accounts with respect to which (i) the goods giving rise to such Account have not been shipped and billed to the Account Debtor, or (ii) the services giving rise to such Account have not been performed and billed to the Account Debtor, provided that this clause (o) shall not exclude Accounts where only delivery is required to complete performance so long as such Accounts arise under a Program Contract which includes the bill and hold provisions set forth in Exhibit P-1, or

(p) Accounts that represent the right to receive progress payments or other advance billings that are due prior to the completion of performance by the applicable Eligible Loan Party of the subject contract for goods or services.

"Eligible Inventory" means Inventory of the Eligible Loan Parties consisting of CDs, DVDs, VHS cassettes, video games, and other related merchandise reasonably satisfactory to Agent in its Permitted Discretion (and in any event excluding magazines, wood products and wire rack products) (such non-excluded merchandise being referred to herein as the "Covered Inventory") held for sale in the ordinary course of business of such Eligible Loan Parties, that complies with each of the representations and warranties respecting

Eligible Inventory made by such Eligible Loan Parties in the Loan Documents, and that is not excluded as ineligible by virtue of the one or more of the criteria set forth below; provided, however, that such criteria may be fixed and revised from time to time by Agent in Agent's Permitted Discretion to address the results of any audit or appraisal performed by Agent from time to time after the Closing Date. An item of Inventory shall not be included in Eligible Inventory if:

(a) an Eligible Loan Party does not have good, valid, and marketable title thereto,

(b) it is not located at one of the locations in the continental United States set forth on Schedule E-1 or in-transit from one such location to another such location, or if held on consignment at a customer location, such customer has not

executed a Consignment Agreement or such Inventory is not segregated or otherwise separately identifiable from goods of others, if any, stored on the premises,

(c) it is located on real property leased by a Loan Party or in a contract warehouse, in each case, unless it is segregated or otherwise separately identifiable from goods of others, if any, stored on the premises, and either (i) it is subject to a Collateral Access Agreement executed by the lessor, or warehouseman, as the case may be, or (ii) Agent has established a Rent Reserve against the Borrowing Base for such Leased Real Property location or contract warehouse,

(d) it is located on Mortgaged Real Property owned by a Loan Party, unless (i) the mortgagee has executed a Collateral Access Agreement or (ii) Agent has established a Mortgage Reserve against the Borrowing Base for such Mortgaged Real Property,

(e) it is not subject to a valid and perfected first priority Collateral Agent's Lien, except that to the extent the Collateral Agent's Lien is subject to a valid and perfected first priority Lien in favor of a Vendor, such Inventory shall not be excluded from Eligible Inventory solely by reason of this clause (e) for a period of 30 days after the Closing Date,

(f) it consists of goods that are obsolete or slow moving, restrictive or custom items, work-in-process, raw materials, goods returned or rejected by such Loan Parties' customers and no longer held for sale by such Loan Parties, or goods that constitute spare parts, packaging and shipping materials, supplies used or consumed in such Loan Parties' business, bill and hold goods, defective goods, "seconds," "breached" or

Inventory acquired on consignment, or

(g) Agent has not received a current appraisal of such Inventory from an Acceptable Appraiser pursuant to Section 6.2.

The Administrative Borrower may amend Schedule E-1, provided that (i) such amendment occurs by written notice to Agent not less than 30 days prior to the date on which the Eligible Inventory is moved to such new location, (ii) such new location is within the continental United States or Canada, and (iii) at the time of such written notification, the applicable Eligible Loan Party provides any financing statements necessary to perfect and continue perfected the Collateral Agent's Liens on such assets and, to the extent it is located on real property leased by a Loan Party or Mortgaged Real Property, provides to Agent a Collateral Access Agreement.

"Eligible Loan Party" mean any Loan Party named in Schedule E-2.

"Eligible Transferee" means (a) a commercial bank organized under the laws of the United States, or any state thereof, and having total assets in excess of $250,000,000, (b) a commercial bank organized under the laws of any other country which is a member of the Organization for Economic Cooperation and Development or a political subdivision of any such country and which has total assets in excess of $250,000,000, provided that such bank is acting through a branch or agency located in the United States, (c) a finance company, insurance company, or other financial institution or fund that is engaged in making, purchasing, or

otherwise investing in commercial loans in the ordinary course of its business and having (together with its Affiliates) total assets in excess of $250,000,000, (d) any Affiliate (other than individuals) of a Lender, (e) so long as no Event of Default has occurred and is continuing, any other Person approved by Agent and Administrative Borrower (which approval of Administrative Borrower shall not be unreasonably, withheld, delayed, or conditioned), and (f) during the continuation of an Event of Default, any other Person approved by Agent.

"Environmental Actions" means any complaint, summons, citation, notice, directive, order, claim, litigation, investigation, judicial or administrative proceeding, judgment, letter, or other communication from any Governmental Authority, or any third party involving violations or alleged violations of Environmental Laws or releases of Hazardous Materials from (a) any assets, properties, or businesses of any Loan Party, any Subsidiary of a Loan Party, or any of their predecessors in interest, (b) from adjoining properties or businesses, or (c) from or onto any facilities which received Hazardous Materials generated by any Loan Party, any Subsidiary of a Loan Party, or any of their predecessors in interest.

"Environmental Law" means any applicable federal, state, provincial, foreign or local statute, law, rule, regulation, ordinance, code, permit, binding and enforceable guideline, binding and enforceable written policy or rule of common law now or hereafter in effect and in each case as amended, or any judicial or administrative interpretation thereof, including any judicial or administrative order, consent decree or judgment, to the extent binding on any Loan Party or any Subsidiary of a Loan Party, relating to the environment, human health, employee health and safety, or Hazardous Materials, including CERCLA; RCRA; the Federal Water Pollution Control Act, 33 USC Section 1251 et seq.; the Toxic Substances Control Act, 15 USC Section 2601 et seq.; the Clean Air Act, 42 USC Section 7401 et seq.; the Safe Drinking Water Act, 42 USC Section 3803 et seq.; the Oil Pollution Act of 1990, 33 USC Section 2701 et seq.; the Emergency Planning and the Community Right-to-Know Act of 1986, 42 USC Section 11001 et seq.; the Hazardous Material Transportation Act, 49 USC Section 1801 et seq.; and the Occupational Safety and Health Act, 29 USC Section 651 et seq. (to the extent it regulates occupational exposure to Hazardous Materials); the Canadian Environmental Protection Act (Canada); the Fisheries Act (Canada); the Transportation of Dangerous Goods Act (Canada); the Environmental Protection Act (Ontario); the Water Resource Act (Ontario); the Waste Management Act (British Columbia); the Environmental Quality Act (Quebec); and any federal, state, provincial and local or foreign counterparts or equivalents, in each case as amended from time to time.

"Environmental Liabilities and Costs" means all liabilities, monetary obligations, Remedial Actions, losses, damages, punitive damages, consequential damages, treble damages, costs and expenses (including all reasonable fees, disbursements and expenses of counsel, experts, or consultants, and costs of investigation and feasibility studies), fines, penalties, sanctions, and interest incurred as a result of any claim or demand by any Governmental Authority or any third party, and which relate to any Environmental Action.

"Environmental Lien" means any Lien in favor of any Governmental Authority for Environmental Liabilities and Costs.

"Equipment" means equipment (as that term is defined in the Code), and includes machinery, machine tools, motors, furniture and furnishings (but excluding fixtures), vehicles

(including motor vehicles), computer hardware, tools, parts, and goods (other than consumer goods, farm products, or Inventory), wherever located, including all attachments, accessories, accessions, replacements, substitutions, additions, and improvements to any of the foregoing.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended, and any successor statute thereto.

"ERISA Affiliate" means (a) any Person subject to ERISA whose employees are treated as employed by the same employer as the employees of a Loan Party or a Subsidiary of a Loan Party under IRC Section 414(b), (b) any trade or business subject to ERISA whose employees are treated as employed by the same employer as the employees of a Loan Party or a Subsidiary of a Loan Party under IRC Section 414(c), (c) solely for purposes of Section 302 of ERISA and Section 412 of the IRC, any organization subject to ERISA that is a member of an affiliated service group of which a Loan Party or a Subsidiary of a Loan Party is a member under IRC Section 414(m), or (d) solely for purposes of Section 302 of ERISA and Section 412 of the IRC, any Person subject to ERISA that is a party to an arrangement with a Loan Party or a Subsidiary of a Loan Party and whose employees are aggregated with the employees of a Loan Party or a Subsidiary of a Loan Party under IRC Section 414(o).

"ERISA Event" means (a) a Reportable Event with respect to any Benefit Plan or Multiemployer Plan, (b) the withdrawal of a Loan Party, any of its Subsidiaries or ERISA Affiliates from a Benefit Plan during a plan year in which it was a "substantial employer" (as defined in Section 4001(a)(2) of ERISA), (c) the providing of notice of intent to terminate a Benefit Plan in a distress termination (as described in Section 4041(c) of ERISA), (d) the institution by the PBGC of proceedings to terminate a Benefit Plan or Multiemployer Plan, (e) any event or condition (i) that provides a basis under Section 4042(a)(1), (2), or (3) of ERISA for the termination of, or the appointment of a trustee to administer, any Benefit Plan or Multiemployer Plan, or (ii) that may result in termination of a Multiemployer Plan pursuant to Section 4041A of ERISA, (f) the partial or complete withdrawal within the meaning of Sections 4203 and 4205 of ERISA, of a Loan Party, any of its Subsidiaries or ERISA Affiliates from a Multiemployer Plan, (g) providing any security to any Plan under Section 401(a)(29) of the IRC by a Loan Party or its Subsidiaries or any of their ERISA Affiliates or (h) any equivalent event, action, condition, proceeding or otherwise under Canadian Employee Benefit Laws.

"Event of Default" has the meaning set forth in Section 8.

"Excess Availability" means, as of any date of determination or period, the amount equal to (x) Availability, plus (y) the amount of unrestricted cash and Cash Equivalents of Borrowers and their Subsidiaries on deposit in a Deposit Account or Securities Account which is the subject of a Control Agreement and is maintained by a branch office of the bank or securities intermediary located within the United States, minus (z) the aggregate amount, if any, of all trade payables of Borrowers and their Subsidiaries aged in excess of their historical levels with respect thereto and all book overdrafts of Borrowers and their Subsidiaries in excess of their historical practices with respect thereto, in each case as determined by Agent in its Permitted Discretion for such date or period.

"Exchange Act" means the Securities Exchange Act of 1934, as in effect from time to time.

"EXIM Guaranty" means a guaranty made by the Export-Import Bank of the United States in favor of Agent, for the benefit of Lenders, in form and substance satisfactory to Agent.

"Existing Loan Agreement" has the meaning set forth in the recitals to this Agreement.

"Existing Loan Facility" has the meaning set forth in the recitals to this Agreement.

"Existing Loan Facility Advance" has the meaning set forth in the recitals to this Agreement.

"Existing Loan Parties" has the meaning set forth in the recitals to this Agreement.

"Existing Revolving Credit Facility" has the meaning set forth in the recitals to this Agreement.

"Existing Term Loan" has the meaning set forth in the recitals to this Agreement.

"Extraordinary Receipts" means any Collections received by the Parent or any of its Subsidiaries not in the ordinary course of business (and not consisting of proceeds described in Section 2.4(c)(ii) hereof), including (i) foreign, United States, state or local tax refunds, (ii) pension plan reversions, (iii) proceeds of insurance (including proceeds of the key man life insurance policies), but excluding insurance with respect to (A) Inventory or (B) Real Property, to the extent such Real Property is subject to a first priority Lien in favor of any Person other than the Collateral Agent and such proceeds are required to be paid to such Person, (iv) judgments, proceeds of settlements or other consideration of any kind in connection with any cause of action, (v) condemnation awards (and payments in lieu thereof), but excluding condemnation awards with respect to (A) Inventory or (B) Real Property, to the extent such Real Property is subject to a first priority Lien in favor of any Person other than the Collateral Agent and such proceeds are required to be paid to such Person, (vi) indemnity payments, and (vii) any purchase price adjustment received in connection with any purchase agreement.

"Facility" means the revolving credit facility made available to the Loan Parties pursuant to this Agreement and the other Loan Documents in an aggregate principal amount not to exceed the Maximum Revolver Amount.

"Family Member" means, with respect to any individual, any other individual having a relationship by blood (to the second degree of consanguinity), marriage, or adoption to such individual.

"Family Trusts" means, with respect to any individual, trusts or other estate planning vehicles established for the benefit of such individual or Family Members of such individual and in respect of which such individual serves as trustee or in a similar capacity.

"Fee Letter" means that certain Amended and Restated Fee Letter, dated as of even date herewith, between Borrowers and Agent, in form and substance satisfactory to Agent.

"FEIN" means Federal Employer Identification Number.

"Fiscal Year" means (i) in the case of the Parent and its Subsidiaries other than IPD, Huck NC and Huck Quincy, a fiscal year ending on January 31st of each calendar year, and (ii) in the case of IPD, Huck NC and Huck Quincy, a fiscal year ending on the Friday closest to January 31 of each calendar year.

"Fixed Charges" means with respect to Parent and its Subsidiaries for any period, the sum, without duplication, of (a) Interest Expense, and (b) principal payments required to be paid during such period in respect of Indebtedness.

"Fixed Charge Coverage Ratio" means, with respect to Parent and its Subsidiaries for any period, the ratio of (i) EBITDA for such period minus Capital Expenditures made (to the extent not already incurred in a prior period) or incurred during such period, and all federal, state, and local income taxes accrued for such period to (ii) Fixed Charges for such period.

"Florida Headquarters" means the Loan Parties' Bonita Springs, Florida corporate headquarters.

"Foreign Accounts" has the meaning set forth in clause (f) of the definition of "Eligible Accounts".

"Foreign EXIM Credit Subline Amount" means an amount equal to $10,000,000.

"Foreign WFF Credit Subline Amount" means an amount equal to $10,000,000.

"Fulfillment Accounts" means Accounts arising from goods sold and services rendered by the Fulfillment Business Segments of the Loan Parties.

"Fulfillment Business Segments" means the Fulfillment/WMS Business Segment, Fulfillment/ANS Business Segment, Fulfillment/IPD Business Segment and Fulfillment/Source Alliance Business Segment.

"Fulfillment/ANS Business Segment" means the business and operations of the Loan Parties related to the distribution of magazines, confections and general merchandise to the retail and wholesale market conducted under the trade name "Austin News Service" on the Closing Date by the Subsidiaries of Parent named in Part I-A of Schedule S-1.

Fulfillment/IPD Business Segment" means the business and operations of the Loan Parties related to the distribution of magazines, confections and general merchandise to the

retail and wholesale market conducted on the Closing Date by the Subsidiaries of Parent named in Part I-C of Schedule S-1.

"Fulfillment/Source Alliance Accounts" means Accounts arising from goods sold and services rendered by the Fulfillment/Source Alliance Business Segment of the Loan Parties.

"Fulfillment/Source Alliance Business Segment" means the business and operations of the Loan Parties related to the distribution of CDs, DVDs, VHS cassettes and general merchandise to the retail and wholesale market conducted on the Closing Date by the Subsidiaries of Parent named in Part I-B of Schedule S-1.

Fulfillment/WMS Accounts" means Accounts arising from goods sold or services rendered by the Fulfillment/WMS Business Segment of the Loan Parties.

"Fulfillment/WMS Business Segment" means the business and operations of the Loan Parties related to the export of United States magazine titles for distribution outside of the United States including that conducted on the Closing Date by Source Interlink International, Inc., or under the trade name "Worldwide Media Service" by the Subsidiaries of Parent named in Part I-D of Schedule S-1.

"Funding Date" means the date on which a Borrowing occurs.

"Funding Losses" has the meaning set forth in Section 2.13(b)(ii).

"GAAP" means generally accepted accounting principles as in effect from time to time in the United States, consistently applied.

"GECC Loans" means the revolving loans made by the GECC Lenders to AEC One Stop pursuant to the GECC Loan Agreement.

"GECC Agent" means General Electric Capital Corporation, in its capacity as agent for the GECC Lenders, and any successor in such capacity.

"GECC L/C Liabilities" means liabilities of AEC One Stop in respect of letters of credit issued under the GECC Loan Agreement and outstanding on the Closing Date in an aggregate face amount of $3,099,000.

"GECC Lender Group" means the GECC Lenders and the GECC Agent.

"GECC Lenders" means the lenders from time to time party to the GECC Loan Agreement.

"GECC Loan Agreement" means the Second Amended and Restated Credit Agreement dated as of January 28, 2003 (as amended, restated or otherwise modified from time to time prior to the Closing Date), among AEC One Stop, as borrower, the other credit parties signatory thereto, as credit parties, the GECC Lenders and the GECC Agent.

"GECC Loan Documents" means the "Loan Documents", as such term is defined in the GECC Loan Agreement.

"General Intangibles" means general intangibles (as that term is defined in the Code), including payment intangibles, contract rights, rights to payment, rights arising under common law, statutes, or regulations, choses or things in action, goodwill, patents, trade names, trade secrets, trademarks, servicemarks, copyrights, blueprints, drawings, purchase orders, customer lists, monies due or recoverable from pension funds, route lists, rights to payment and other rights under any royalty or licensing agreements, infringement claims, computer programs, information contained on computer disks or tapes, software, literature, reports, catalogs, insurance premium rebates, tax refunds, and tax refund claims, and any and all supporting obligations in respect thereof, and any other personal property other than Accounts, Deposit Accounts, goods, Investment Property, and Negotiable Collateral.

"Governing Documents" means, with respect to any Person, the certificate or articles of incorporation, by-laws, or other organizational documents of such Person.

"Governmental Authority" means any federal (including the federal government of Canada), state, provincial, local, or other governmental or administrative body, instrumentality, department, or agency or any court, tribunal, administrative hearing body, arbitration panel, commission, or other similar dispute-resolving panel or body.

"Guaranteed Foreign Accounts" means Foreign Accounts described in clause (i) or (ii) of the definition thereof that are otherwise Eligible Accounts and are supported by an EXIM Guaranty, guaranteeing payment of at least 90% of the Advances made and Letters of Credit issued in respect of such Foreign Accounts.

"Guarantor" means each Subsidiary of Parent named in Schedule G-1 and each other Person that guarantees, pursuant to Section 6.15 or otherwise, all or any part of the Obligations.

"Guaranty" means the Guaranty set forth in Section 18, the Canadian Guaranty and any other guaranty executed and delivered by a Guarantor in favor of Agent, for the benefit of the Lender Group and the Bank Product Providers, in form and substance satisfactory to Agent.

"Hazardous Materials" means (a) substances that are defined or listed in, or otherwise classified pursuant to, any Environmental Law as "hazardous substances," "hazardous materials," "hazardous wastes," "toxic substances," or any other formulation intended to define, list, or classify substances by reason of deleterious properties such as ignitability, corrosivity, reactivity, carcinogenicity, reproductive toxicity, or "EP toxicity", (b) oil, petroleum, or petroleum derived substances, natural gas, natural gas liquids, synthetic gas, drilling fluids, produced waters, and other wastes associated with the exploration, development, or production of crude oil, natural gas, or geothermal resources, (c) any flammable substances or explosives or any radioactive materials, (d) asbestos in any form or electrical equipment that contains any oil or dielectric fluid containing levels of polychlorinated biphenyls in excess of 50 parts per million and (e) any other substance, the storage, manufacture, disposal, treatment, generation, use,

transportation, remediation, release into or concentration in the environment of which is prohibited, controlled, regulated or licensed by any Governmental Authority under any Environmental Law.

"Hedge Agreement" means any and all agreements, or documents now existing or hereafter entered into by Administrative Borrower or its Subsidiaries that provide for an interest rate, credit, commodity or equity swap, cap, floor, collar, forward foreign exchange transaction, currency swap, cross currency rate swap, currency option, or any combination of, or option with respect to, these or similar transactions, for the purpose of hedging Administrative Borrower's or its Subsidiaries' exposure to fluctuations in interest or exchange rates, loan, credit exchange, security or currency valuations or commodity prices.

"Holdout Lender" has the meaning set forth in Section 15.2.

"Huck NC" means Huck Store Fixture Company of North Carolina, a North Carolina corporation.

"Huck Quincy" means Source-Huck Store Fixture Company, a Delaware corporation.

"ICI" means The Interlink Companies, Inc., a Delaware corporation.

"Indebtedness" means (a) all obligations for borrowed money, (b) all obligations evidenced by bonds, debentures, notes, or other similar instruments and all reimbursement or other obligations in respect of letters of credit, bankers acceptances, interest rate swaps, or other financial products, (c) all obligations as a lessee under Capital Leases, (d) all obligations or liabilities of others secured by a Lien on any asset of a Person or its Subsidiaries, irrespective of whether such obligation or liability is assumed, (e) all obligations to pay the deferred purchase price of assets (other than trade payables incurred in the ordinary course of business and repayable in accordance with customary trade practices), (f) all obligations owing under Hedge Agreements, and (g) any obligation guaranteeing or intended to guarantee (whether directly or indirectly guaranteed, endorsed, co-made, discounted, or sold with recourse) any obligation of any other Person that constitutes Indebtedness under any of clauses (a) through (f) above.

"Indemnified Liabilities" has the meaning set forth in Section 11.3.

"Indemnified Person" has the meaning set forth in Section 11.3.

"Insolvency Proceeding" means any proceeding commenced by or against any Person under any provision of any applicable Bankruptcy Code or under any other state, provincial or federal bankruptcy or insolvency law, assignments for the benefit of creditors, formal or informal moratoria, compositions, extensions generally with creditors, or proceedings seeking reorganization, arrangement, or other similar relief.

"In-Store Services Accounts" means Accounts arising from goods sold and services rendered by the In-Store Services Business Segments of the Loan Parties.

"In-Store Services Business Segments" means, collectively, the In-Store Services/Wire Business Segment, the In-Store Services/Claiming Business Segment and the In-Store Services/Other Business Segment.

"In-Store Services/Claiming Accounts" means Accounts arising from services rendered by the In-Store Services/Claiming Business Segment of the Loan Parties.

"In-Store Services/Claiming Business Segment" means the business and operations of the Loan Parties related to collecting rebates and other payments on behalf of Loan Parties and retailers and related services conducted on the Closing Date by the Subsidiaries of Parent named in Part II-B of Schedule S-1.

"In-Store Services/Other Business Segment" means the business and

operations of the Loan Parties related to providing retail sales information and other services to retailers conducted on the Closing Date by the Subsidiaries of Parent named in Part II-C of Schedule S-1.

"In-Store Services Subline Amount" means an amount equal to $25,000,000.

"In-Store Services/Wire Business Segment" means the business and operations of the Loan Parties related to manufacturing wire racks for retailers and related services conducted on the Closing Date by the Subsidiaries of Parent named in Part II-A of Schedule S-1.

"Intangible Assets" means, with respect to any Person, that portion of the book value of all of such Person's assets that would be treated as intangibles under GAAP.

"Intercompany Subordination Agreement" means the Amended and Restated Intercompany Subordination Agreement executed and delivered by Loan Parties and each of their Subsidiaries and Agent, the form and substance of which is satisfactory to Agent.

"Interest Coverage Ratio" means, for any period, the ratio of (i) EBITDA of Parent and its Subsidiaries for such period, to (ii) the aggregate amount of Interest Expenses of Parent and its Subsidiaries paid in cash during such period.

"Interest Expense" means, for any period, the aggregate of the interest expense of Parent and its Subsidiaries for such period, determined on a consolidated basis in accordance with GAAP.

"Interest Period" means, with respect to each LIBOR Rate Loan, a period commencing on the date of the making of such LIBOR Rate Loan (or the continuation of a LIBOR Rate Loan or the conversion of a Base Rate Loan to a LIBOR Rate Loan) and ending 1, 2, or 3 months thereafter; provided, however, that (a) if any Interest Period would end on a day that is not a Business Day, such Interest Period shall be extended (subject to clauses (c)-(e) below) to the next succeeding Business Day, (b) interest shall accrue at the applicable rate based upon the LIBOR Rate from and including the first day of each Interest Period to, but excluding, the day on which any Interest Period expires, (c) any Interest Period that would end on a day that is not a Business Day shall be extended to the next succeeding Business Day unless such Business Day falls in another calendar month, in which case such Interest Period shall end on the next preceding Business Day, (d) with respect to an Interest Period that begins on the last

Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period), the

Interest Period shall end on the last Business Day of the calendar month that is 1, 2, or 3 months after the date on which the Interest Period began, as applicable, and (e) Borrowers (or Administrative Borrower on behalf thereof) may not elect an Interest Period which will end after the Maturity Date.

"Inventory" means inventory (as that term is defined in the Code).

"Investment" means, with respect to any Person, any investment by such Person in any other Person (including Affiliates) in the form of loans, guarantees, advances, or capital contributions (excluding (a) commission, travel, and similar advances to officers and employees of such Person made in the ordinary course of business, and (b) bona fide Accounts arising in the ordinary course of business consistent with past practice), purchases or other acquisitions of Indebtedness, Stock, or all or substantially all of the assets of such other Person (or of any division or business line of such other Person), and any other items that are or would be classified as investments on a balance sheet prepared in accordance with GAAP.

"Investment Property" means investment property (as that term is defined in the Code), and any and all supporting obligations in respect thereof.

"IPD" means International Periodical Distributors, Inc., a Nevada corporation.

"IPD/B&N Supply Agreement" means that certain Retail Magazine Supply Agreement, between IPD and Barnes and Noble regarding their current and future business relationship.

"IRC" means the Internal Revenue Code of 1986, as in effect from time to time.

"Issuing Lender" means WFF or any other Lender that, at the request of Administrative Borrower and with the consent of Agent, agrees, in such Lender's sole discretion, to become an Issuing Lender for the purpose of issuing L/Cs or L/C Undertakings pursuant to Section 2.12.

"L/C" has the meaning set forth in Section 2.12(a).

"L/C Disbursement" means a payment made by the Issuing Lender pursuant to a Letter of Credit.

"L/C Undertaking" has the meaning set forth in Section 2.12(a).

"Leased Real Property" means any leasehold interests in real property now held or hereafter acquired by a Loan Party and the improvements thereto.

"Lender" and "Lenders" have the respective meanings set forth in the preamble to this Agreement, and shall include any other Person made a party to this Agreement in accordance with the provisions of Section 14.1.

"Lender Group" means, individually and collectively, each of the Lenders (including the Issuing Lender) and Agent.

"Lender Group Expenses" means all (a) costs or expenses (including taxes, and insurance premiums) required to be paid by a Loan Party or its Subsidiaries under any of the Loan Documents that are paid, advanced, or incurred by the Lender Group, (b) fees or charges paid or incurred by Agent or Collateral Agent in connection with the Lender Group's transactions with the Loan Parties or their Subsidiaries, including, fees or charges for photocopying, notarization, couriers and messengers, telecommunication, public record searches (including tax lien, litigation, and UCC and PPSA searches and including searches with the patent and trademark office, the copyright office, or the department of motor vehicles), filing, recording, publication, and appraisal (including periodic collateral appraisals or business valuations to the extent of the fees and charges (and up to the amount of any limitation) contained in this Agreement), (c) costs and expenses incurred by Agent in the disbursement of funds to or for the account of Borrowers or other members of the Lender Group (by wire transfer or otherwise), (d) charges paid or incurred by Agent resulting from the dishonor of checks, (e) reasonable costs and expenses paid or incurred by the Lender Group to correct any default or enforce any provision of the Loan Documents, or in gaining possession of, maintaining, handling, preserving, storing, shipping, selling, preparing for sale, or advertising to sell the Collateral, or any portion thereof, irrespective of whether a sale is consummated, (f) audit fees and expenses of Agent related to audit examinations of the Books to the extent of the fees and charges (and up to the amount of any limitation) contained in this Agreement, (g) reasonable costs and expenses of third party claims or any other suit paid or incurred by the Lender Group in enforcing or defending the Loan Documents or in connection with the transactions contemplated by the Loan Documents or the Lender Group's relationship with any Loan Party or any Subsidiary of a Loan Party, (h) Agent's, Collateral Agent's and each Lender's reasonable costs and expenses (including reasonable attorneys fees) incurred in advising, structuring, drafting, reviewing, administering, syndicating, or amending the Loan Documents, and (i) Agent's and each Lender's reasonable costs and expenses (including reasonable attorneys, accountants, consultants, and other advisors fees and expenses) incurred in terminating, enforcing (including attorneys, accountants, consultants, and other advisors fees and expenses incurred in connection with a "workout," a "restructuring," or an Insolvency Proceeding concerning any Loan Party or any Subsidiary of a Loan Party or in exercising rights or remedies under the Loan Documents), or defending the Loan Documents, irrespective of whether suit is brought, or in taking any Remedial Action concerning the Collateral. All out-of-pocket expenses of the Lenders, Collateral Agent and/or Agent payable by the Loan Parties shall be set forth in a reasonably detailed invoice. The Borrowers will have access to any Inventory appraisal for which Borrowers have reimbursed the Lenders, the Agent or the Collateral Agent for the costs therefor.

"Lender-Related Person" means, with respect to any Lender, such

Lender, together with such Lender's Affiliates, officers, directors, employees, attorneys, and agents.

"Letter of Credit" means an L/C or an L/C Undertaking, as the context requires.

"Letter of Credit Usage" means, as of any date of determination, the aggregate undrawn amount of all outstanding Letters of Credit.

"LIBOR Deadline" has the meaning set forth in Section 2.13(b)(i).

"LIBOR Notice" means a written notice in the form of Exhibit L-1.

"LIBOR Option" has the meaning set forth in Section 2.13(a).

"LIBOR Rate" means, for each Interest Period for each LIBOR Rate Loan, the rate per annum determined by Agent (rounded upwards, if necessary, to the next 1/100%) by dividing (a) the Base LIBOR Rate for such Interest Period, by (b) 100% minus the Reserve Percentage. The LIBOR Rate shall be adjusted on and as of the effective day of any change in the Reserve Percentage.

"LIBOR Rate Loan" means each portion of an Advance that bears interest at a rate determined by reference to the LIBOR Rate.

"LIBOR Rate Margin" means the percentage points set forth below corresponding to the Interest Coverage Ratio for the twelve-month period ending as of the last day of the immediately preceding fiscal quarter of Parent and its Subsidiaries, as determined by Agent based upon the financial statements delivered to Agent pursuant to Section 6.3(a) for such fiscal quarter:

<TABLE>
<CAPTION>

Level	Interest Coverage Ratio	LIBOR Rate Margin
<S>	<C>	<C>
I	Greater than 4.75 to 1.0	2.00 percentage points
II	Less than or equal to 4.75 to 1.0 but greater than 3.75 to 1.0	2.25 percentage points
III	Less than or equal to 3.75 to 1.0 but greater than 2.00 to 1.0	2.50 percentage points
IV	Less than or equal to 2.00 to 1.0 but greater than 1.50 to 1.0	2.75 percentage points

V Less than or equal to 1.5 to 1.0 3.00 percentage point
</TABLE>

provided, that, with respect to each of the fiscal quarters of the Parent and its Subsidiaries ending on April 30, 2005, July 31, 2005 and October 31, 2005, the Interest Coverage Ratio shall be based on the immediately preceding three-month period, six-month period and nine-month period, respectively, ending on such date, provided, further, that, notwithstanding the foregoing, (a) each adjustment to the LIBOR Rate Margin shall be effective from the date of delivery of the Loan Parties' financial statements for the fiscal quarter used to determine the LIBOR Rate Margin until the date of delivery of such financial statements pursuant to Section 6.3(a) hereof for the next succeeding fiscal quarter, (b) if the Loan Parties fail to deliver such financial statements to the Agent for any fiscal quarter in accordance with Section 6.3(a) hereof, then until such financial statements are delivered, the LIBOR Rate Margin shall be set in accordance with Level V above, and (c) on and after the Closing Date and until the financial statements are delivered for the fiscal quarter ending on April 30, 2005, the LIBOR Rate Margin shall be set at Level I above.

"Lien" means any interest in an asset securing an obligation owed to, or a claim by, any Person other than the owner of the asset, irrespective of whether (a) such interest is based on the common law, statute, or contract, (b) such interest is recorded or perfected, and (c) such interest is contingent upon the occurrence of some future event or events or the existence of some future circumstance or circumstances. Without limiting the generality of the foregoing, the term "Lien" includes the lien or security interest arising from a mortgage, deed of trust, encumbrance, pledge, hypothecation, assignment, deposit arrangement, security agreement, conditional sale or trust receipt, or from a lease, consignment, or bailment for security purposes and also includes reservations, exceptions, encroachments, easements, rights-of-way, covenants, conditions, restrictions, leases, and other title exceptions and encumbrances affecting Real Property.

"Loan Account" has the meaning set forth in Section 2.10.

"Loan Documents" means this Agreement, the Bank Product Agreements, the Security Agreement, the Cash Management Agreements, the Control Agreements, the Copyright Security Agreement, the Disbursement Letter, the Perfection Certificate, the Fee Letter, each Guaranty, each EXIM Guaranty, the Vendor Intercreditor Agreements, the Collateral Access Agreements, the Consignment Agreements, the Canadian Documents, the Contribution Agreement, the Intercompany Subordination Agreement, the Letters of Credit, the Patent Security Agreement, the Pledge Agreement, the Trademark Security Agreement, any note or notes executed by a Borrower in connection with this Agreement and payable to a member of the Lender Group, and any other agreement entered into, now or in the future, by a Loan Party and the Lender Group in connection with this Agreement.

"Loan Party" means any Borrower and any Guarantor.

"Material Adverse Change" means (a) a material adverse change in the business, operations, results of operations, assets, liabilities or condition (financial or otherwise) of an Eligible Loan Party, or of the Loan Parties and their Subsidiaries, taken as a whole, (b) a material impairment of the ability of the Loan Parties, taken as a whole, to perform their obligations under the Loan Documents or of the Lender Group's ability to enforce the Obligations or realize upon the Collateral, or (c) a material impairment of the enforceability or priority of the Collateral Agent's Liens with respect to the Collateral as a result of an action or failure to act on the part of a Loan Party or a Subsidiary of a Loan Party.

"Material Contracts" means (a) "material contracts" as defined in Item 601(b)(10) of Regulations S-K of the rules and regulations of the SEC and (b) each of the following agreements, whether or not covered under clause (a) above: (i) the Alliance Merger Documents, (ii) the Reincorporation Documents, (iii) the Vendor Agreements, (iv) the SunTrust Documents, (v) the B&N Supply Agreements, (vi) the Yucaipa Management Agreement and (vii) the Spin-Off Documents.

"Maturity Date" has the meaning set forth in Section 3.4.

"Maximum Revolver Amount" means $200,000,000.

"Merger Documents" means the Alliance Merger Documents and the Reincorporation Documents.

"Mortgaged Real Property" means Owned Real Property subject to a first priority lien in favor of any Person other than Collateral Agent.

"Mortgage Reserve" means a reserve in the amount of three-months mortgage payments established by Agent for each Mortgaged Real Property location set forth in Schedule M-1 or any additional Mortgaged Real Property for which a Collateral Access Agreement is required, provided that the reserve established for any such location shall be reduced to zero on the date that Collateral Agent shall receive a Collateral Access Agreement for such location, and provided further that no reserve shall be established for the Mortgaged Real Property of A.E. Land Corp. for the 30 day period following the Closing Date.

"Multiemployer Plan" means a "multiemployer plan" (as defined in Section 4001(a)(3) of ERISA) or such equivalent plan under Canadian Employee Benefit Laws to which a Loan Party, any of its Subsidiaries, or any ERISA Affiliate has contributed, or was obligated to contribute, within the past six years.

"Negotiable Collateral" means letters of credit, letter of credit rights, instruments, promissory notes, drafts, documents, and chattel paper (including electronic chattel paper and tangible chattel paper), and any and all supporting obligations in respect thereof.

"Net Cash Proceeds" means, with respect to any disposition by any Person or any Subsidiary thereof, the amount of cash received (directly or indirectly) from time to time (whether as initial consideration or through the payment of deferred consideration) by or on behalf of such Person or such Subsidiary, in connection therewith after deducting therefrom only (i) the amount of any Indebtedness secured by any Permitted Lien on any asset (other than (A) Indebtedness owing to Agent or any Lender under this Agreement or the other Loan Documents and (B) Indebtedness assumed by the purchaser of such asset) which is required to be, and is, repaid in connection with such disposition, (ii) reasonable expenses related thereto incurred by such Person or such Subsidiary in connection therewith, and (iii) taxes paid or payable to any taxing authorities by such Person or such Subsidiary in connection therewith, in each case to the extent, but only to the extent, that the amounts so deducted are, at the time of receipt of such cash, actually paid or payable to a Person that is not an Affiliate and are properly attributable to such transaction.

"Obligations" means (a) all loans, Advances, debts, principal, interest (including any interest that, but for the commencement of an Insolvency Proceeding, would have accrued), contingent reimbursement obligations with respect to outstanding Letters of Credit, premiums, liabilities (including all amounts charged to Borrowers' Loan Account pursuant hereto), obligations (including indemnification obligations), fees (including the fees provided for in the Fee Letter), charges, costs, Lender Group Expenses (including any fees or expenses that, but for the commencement of an Insolvency Proceeding, would have accrued), lease payments, guaranties, covenants, and duties of any kind and description owing by Loan Parties to the Lender Group pursuant to or evidenced by the Loan Documents and irrespective of whether for the payment of money, whether direct or indirect, absolute or contingent, due or to become due,

now existing or hereafter arising, and including all interest not paid when due and all Lender Group Expenses that Loan Parties are required to pay or reimburse by the Loan Documents, by law, or otherwise, and (b) all Bank Product Obligations. Any reference in this Agreement or in the Loan Documents to the Obligations shall include all extensions, modifications, renewals, or alterations thereof, both prior and subsequent to any Insolvency Proceeding.

"Originating Lender" has the meaning set forth in Section 14.1(e).

"Overadvance" has the meaning set forth in Section 2.5.

"Owned Real Property" means any fee interests in Real Property now

owned or hereafter acquired by any Loan Party and the improvements thereto.

"Parent" has the meaning set forth in the preamble to this Agreement.

"Participant" has the meaning set forth in Section 14.1(e).

"Patent Security Agreement" means a patent security agreement executed and delivered by each applicable Loan Party and Collateral Agent, the form and substance of which is satisfactory to Agent.

"Pay-Off Letter" means a letter, in form and substance satisfactory to Agent, from the GECC Agent to Agent respecting the amount necessary to repay in full all of the obligations of the Loan Parties and their Subsidiaries owing to the GECC Agent and the GECC Lenders and obtain a release of all of the Liens existing in favor of the GECC Agent in and to the assets of Alliance and its Subsidiaries.

"PBGC" means the Pension Benefit Guaranty Corporation as defined in Title IV of ERISA, or any successor thereto or equivalent entity under Canadian Employee Benefit Laws.

"Perfection Certificate" means the Perfection Certificate submitted by Agent to Administrative Borrower, together with Borrowers' completed responses to the inquiries set forth therein, the form and substance of such responses to be satisfactory to Agent.

"Permitted Acquisition" means any Acquisition by a Loan Party to the extent that each of the following conditions shall have been satisfied:

(a) the Administrative Borrower shall have delivered to Agent at least 30 days prior to the consummation of such Acquisition a written notice describing the terms of such Acquisition in reasonable detail, including the identity of the Target, the proposed consideration, and the proposed closing date;

(b) the Administrative Borrower shall have furnished to Agent, at least 10 Business Days prior to the consummation of such Acquisition, (1) a term sheet and/or commitment letter (setting forth in reasonable detail the terms and conditions of such Acquisition), a draft of the asset purchase agreement, stock purchase agreement or merger agreement (such agreement to be provided in substantially final form at least 2 Business Days prior to the closing of such

Acquisition), (2) pro forma financial statements of the Parent and its Subsidiaries giving effect to the consummation of such Acquisition, (3) a certificate of the chief financial officer of the Parent,

demonstrating on a pro forma basis compliance with all covenants set forth in Section 7.18 hereof after giving effect to the consummation of such Acquisition and (4) at the reasonable request of Agent, such other information and documents that any Agent may request;

(c) (i) within 5 Business Days after the closing date for such Acquisition, the Administrative Borrower shall have furnished to Agent (1) the final version and executed counterparts of the primary agreement (or agreements) pursuant to which such Acquisition is consummated, and (2) copies of such other agreements, instruments or other documents as any Agent shall reasonably request, and (ii) the Administrative Borrower shall furnish to Agent, as and when available, a complete set of the agreements, instruments and other documents (including, without limitation, all schedules and exhibits thereto) executed and delivered in connection with such Acquisition;

(d) (i) to the extent the aggregate consideration paid by the Loan Parties for all Acquisitions consummated by the Loan Parties since the Closing Date exceeds $20,000,000, both (A) the average daily Excess Availability for the 30 consecutive day period immediately prior to the date of such Acquisition and (B) Excess Availability immediately after giving effect to such Acquisition, is at least $50,000,000 and (ii) no Default or Event of Default shall have occurred and be continuing immediately prior to such Acquisition or immediately after giving effect thereto;

(e) (i) neither the Borrowers nor any of their respective Subsidiaries shall, in connection with such Acquisition, assume or remain liable in respect of any Indebtedness of the Seller or Sellers or the Target, or other obligation (including contingent obligations) of the Seller or Sellers or the Target (except for (A) obligations incurred in the ordinary course of business of the Target in operating the property so acquired and necessary and desirable to the continued operation of such property, (B) Indebtedness which would be permitted under Section 7.1 hereof and (C) Indebtedness that the Required Lenders otherwise expressly consent to in writing after their review of the terms of the proposed Acquisition), and (ii) all property to be so acquired in connection with such Acquisition shall be free and clear of any and all Liens, except for Permitted Liens (and if any such property is subject to any Lien not permitted by this clause (ii) then concurrently with such Acquisition such Lien shall be released);

(f) any Subsidiary to be acquired or formed as a result of such Acquisition shall be a Borrower or a Guarantor (as determined by the Agent) and shall be engaged in the same business as the other Loan Parties and such Subsidiary will be a direct wholly-owned Subsidiary of one of the other Loan Parties;

(g) such Acquisition shall be effected in such a manner so that the acquired Stock or assets are owned by a Borrower or a Guarantor (as determined by

the Agent) and, if effected by merger or consolidation involving a Borrower or a Guarantor, a Borrower or Guarantor shall be the continuing or surviving Person; and

(h) any such Subsidiary shall execute and deliver the agreements, instruments and other documents required by Section 6.15.

"Permitted Discretion" means a determination made in good faith and in the exercise of reasonable (from the perspective of a secured asset-based lender) business judgment.

"Permitted Dispositions" means (a) sales or other dispositions of Equipment that is substantially worn, damaged, or obsolete in the ordinary course of business, (b) sales of Inventory to buyers in the ordinary course of business, (c) the use or transfer of money or Cash Equivalents in a manner that is not prohibited by the terms of this Agreement or the other Loan Documents, (d) the licensing, on a non-exclusive basis, of patents, trademarks, copyrights, and other intellectual property rights in the ordinary course of business, (e) sales or other dispositions of any assets by a Borrower to any other Borrower or by a Guarantor to any other Loan Party and (f) the sale of any other asset of a Loan Party that is not Collateral under the Loan Documents.

"Permitted Holder" means (a) Jonathan Ledecky, his Family Members, and his Family Trusts, and (b) Ronald W. Burkle, his Family Members and his Family Trusts and any other Person in which Ronald W. Burkle, his Family Members or his Family Trusts beneficially owns directly or indirectly more than 50% of the Stock having ordinary voting power for the election of directors or other members of the governing body of such Person or more than 50% of the partnership or other ownership interests of such a Person (other than as a limited partner of such Person).

"Permitted Investments" means (a) Investments in cash and Cash Equivalents, (b) Investments in negotiable instruments for collection, (c) advances made in connection with purchases of goods or services in the ordinary course of business, (d) Investments received in settlement of amounts due to a Borrower or any Subsidiary of a Borrower effected in the ordinary course of business or owing to a Borrower or any Subsidiary of a Borrower as a result of Insolvency Proceedings involving an Account Debtor or upon the foreclosure or enforcement of any Lien in favor of a Borrower or any Subsidiary of a Borrower, (e) guarantees of the Guarantors hereunder and (f) Investments in Subsidiaries that are Loan Parties (not to exceed $1,000,000 in the aggregate in any Fiscal Year in the case of any foreign Subsidiary).

"Permitted Liens" means (a) Liens held by Collateral Agent, (b) Liens for unpaid taxes that either (i) are not yet delinquent, or (ii) do not

constitute an Event of Default hereunder and are the subject of Permitted Protests, (c) Liens set forth on Schedule P-1, (d) the interests of lessors under operating leases, (e) purchase money Liens or the interests of lessors under Capital Leases to the extent that such Liens or interests secure Permitted Purchase Money Indebtedness and so long as such Lien attaches only to the asset purchased or acquired and the proceeds thereof, (f) Liens arising by operation of law in favor of warehousemen, landlords, carriers, mechanics, materialmen, laborers, or suppliers, incurred in the ordinary course of Borrowers' business and not in connection with the borrowing of money, and which Liens either (i) are for sums not yet delinquent, or (ii) are the subject of Permitted Protests, (g) (i) Vendor Liens existing

on the Closing Date, provided that at least 75% of Vendors holding such Liens (determined based on the aggregate accounts payable owing to such Vendors) shall have entered into Vendor Intercreditor Agreements with the Collateral Agent, or agreed to terminate their Liens, not later than 60 days after the Closing Date, and (ii) Vendor Liens arising after the Closing Date which are subject to a Vendor Intercreditor Agreement, (h) Liens arising from deposits made in connection with obtaining worker's compensation or other unemployment insurance, (i) Liens or deposits to secure performance of bids, tenders, or leases incurred in the ordinary course of business and not in connection with the borrowing of money, (j) Liens granted as security for surety or appeal bonds in connection with obtaining such bonds in the ordinary course of business, (k) Liens resulting from any judgment or award that is not an Event of Default hereunder, (l) with respect to any Real Property, easements, rights of way, and zoning restrictions that do not materially interfere with or impair the use or operation thereof and (m) Liens in favor of the GECC Agent on cash collateral in an aggregate amount not to exceed 105% of the outstanding GECC L/C Liabilities.

"Permitted Protest" means the right of Administrative Borrower or any of its Subsidiaries to protest any Lien (other than any Lien that secures the Obligations), taxes (other than payroll taxes or taxes that are the subject of a United States or Canadian federal or provincial tax lien), or rental payment, provided that (a) a reserve with respect to such obligation is established on the Books in such amount as is required under GAAP, (b) any such protest is instituted promptly and prosecuted diligently by Administrative Borrower or any of its Subsidiaries, as applicable, in good faith, and (c) Agent is satisfied that, while any such protest is pending, there will be no impairment of the enforceability, validity, or priority of any of the Collateral Agent's Liens.

"Permitted Purchase Money Indebtedness" means, as of any date of determination, Purchase Money Indebtedness incurred after the Closing Date in an aggregate amount outstanding at any one time not in excess of $2,500,000.

"Permitted Real Property Indebtedness" means Indebtedness secured only by Real Property in an aggregate principal amount not to exceed the difference

between (x) $20,000,000 and (y) the outstanding principal amount under the SunTrust Real Estate Loan Documents, provided that the holder of such Indebtedness and any Lien on such Real Property shall have (i) agreed that its recourse with respect to such Indebtedness is limited to the Real Property securing such Indebtedness and (ii) executed a Collateral Access Agreement in favor of the Collateral Agent to the extent any Inventory, material Equipment or Books are located on such Real Property, and provided further that after giving effect to such Indebtedness, the Borrower shall be in pro forma compliance with Section 7.18(a)(ii).

"Person" means natural persons, corporations, limited liability companies, limited partnerships, general partnerships, limited liability partnerships, joint ventures, trusts, land trusts, business trusts, or other organizations, irrespective of whether they are legal entities, and governments and agencies and political subdivisions thereof.

"Personal Property Collateral" means all Collateral other than Real Property.

"Plan" means any employee benefit plan, program, or arrangement maintained or contributed to by a Loan Party or with respect to which it may incur liability subject to ERISA.

"Pledge Agreement" means an Amended and Restated Pledge and Security Agreement, in form and substance satisfactory to Agent, executed and delivered by each Loan Party (including the Parent) that owns Stock of a Subsidiary of Parent or that is the holder of any promissory note, in favor of the Collateral Agent for the benefit of the Lender Group and the Bank Product Providers.

"PPSA" means the Personal Property Security Act of the applicable Canadian province or provinces in respect of the Canadian Guarantors.

"Primary Source" means Primary Source, Inc., a Delaware corporation.

"Program Contracts" means standard form agreements that may be used by the Loan Parties in connection with (i) their Advance Pay, Double Advance Pay and Standard RDA Service Programs for collection of retail display allowances in the In-Store Services/Claiming Business Segment and (ii) their Front-End Merchandiser Programs for sales of display fixtures in the In-Store Services/Wire Business Segment.

"Projections" means Parent's forecasted (a) balance sheets, (b) profit and loss statements, and (c) cash flow statements, all prepared on a consistent basis with Parent's historical financial statements, together with appropriate supporting details and a statement of underlying assumptions.

"Pro Forma Balance Sheet" means a balance sheet of Parent and its Subsidiaries as of the Closing Date, prepared on a pro forma basis to give effect to the Transactions.

"Pro Rata Share" means, as of any date of determination:

(a) with respect to a Lender's obligation to make Advances and receive payments of principal, interest, fees, costs, and expenses with respect thereto, (i) prior to the Revolver Commitments being terminated or reduced to zero, the percentage obtained by dividing (y) such Lender's Revolver Commitment, by (z) the aggregate Revolver Commitments of all Lenders, and (ii) from and after the time that the Revolver Commitments have been terminated or reduced to zero, the percentage obtained by dividing (y) the aggregate outstanding principal amount of such Lender's Advances by (z) the aggregate outstanding principal amount of all Advances,

(b) with respect to a Lender's obligation to participate in Letters of Credit, to reimburse the Issuing Lender, and to receive payments of fees with respect thereto, (i) prior to the Revolver Commitments being terminated or reduced to zero, the percentage obtained by dividing (y) such Lender's Revolver Commitment, by (z) the aggregate Revolver Commitments of all Lenders, and (ii) from and after the time that the Revolver Commitments have been terminated or reduced to zero, the percentage obtained by dividing (y) the aggregate outstanding principal amount of such Lender's Advances by (z) the aggregate outstanding principal amount of all Advances, and

(c) with respect to all other matters as to a particular Lender (including the indemnification obligations arising under Section 16.7), the percentage obtained by dividing (i) such Lender's Revolver Commitment, by (ii) the aggregate amount of Revolver Commitments of all Lenders; provided, however, that in the event the Revolver Commitments have been terminated or reduced to zero, Pro Rata Share under this clause shall be the percentage obtained by dividing (A) the outstanding principal amount of such Lender's Advances plus such Lender's ratable portion of the Risk Participation Liability with respect to outstanding Letters of Credit, by (B) the outstanding principal amount of all Advances plus the aggregate amount of the Risk Participation Liability with respect to outstanding Letters of Credit.

"Purchase Money Indebtedness" means Indebtedness (other than the Obligations, but including Capitalized Lease Obligations), incurred at the time of, or within 20 days after, the acquisition of any fixed assets for the purpose of financing all or any part of the acquisition cost thereof.

"Qualified Cash" means, as of any date of determination, the amount of

unrestricted cash and Cash Equivalents of Borrowers and their Subsidiaries that is paid to Agent by wire transfer in immediately available funds on or prior to the Closing Date for deposit into the Agent's Account.

"Real Property" means any estates or interests in real property now owned or hereafter acquired by any Loan Party or a Subsidiary of any Loan Party and the improvements thereto.

"Record" means information that is inscribed on a tangible medium or which is stored in an electronic or other medium and is retrievable in perceivable form.

"Reincorporation Documents" means the Reincorporation Merger Agreement and each other document and instrument executed in connection with the Reincorporation Merger, which shall include all schedules, exhibits and annexes thereto.

"Reincorporation Merger" means the merger of Source Missouri with and into Parent, with Parent being the surviving entity, and the related transactions contemplated by the Reincorporation Merger Agreement. The Reincorporation Merger Agreement provides, among other things, that (i) upon such merger the then existing Stock of Source Missouri shall cease to exist and the holders of such Stock shall cease to have any rights with respect thereto and (ii) the Stock of Source Missouri will be automatically converted into newly issued and outstanding Stock of Parent.

"Reincorporation Merger Agreement" means the Agreement and Plan of Merger by and among Parent and Source Missouri, dated as of February 28, 2005 as amended on or prior to the Closing Date.

"Remedial Action" means all actions taken to (a) clean up, remove, remediate, contain, treat, monitor, assess, evaluate, or in any way address Hazardous Materials in the indoor or outdoor environment, (b) prevent or minimize a release or threatened release of Hazardous Materials so they do not migrate or endanger or threaten to endanger public health or welfare or

the indoor or outdoor environment, (c) perform any pre-remedial studies, investigations, or post-remedial operation and maintenance activities, or (d) conduct any other actions authorized by 42 USC Section 9601.

"Rent Reserve" means a reserve in the amount of three-months rent established by Agent for each Leased Real Property location set forth in Schedule L-1 or any additional Leased Real Property for which a Collateral Access Agreement is required, provided that the reserve established for any such location shall be reduced to zero on the date that Collateral Agent shall receive a Collateral Access Agreement for such location, and provided further

that no reserve shall be established for the Leased Real Property of AEC One Stop for the 30 day period following the Closing Date.

"Replacement Lender" has the meaning set forth in Section 15.2(a).

"Report" has the meaning set forth in Section 16.17.

"Reportable Event" means any of the events described in Section 4043(c) of ERISA or the regulations thereunder other than a Reportable Event as to which the provision of 30 days' notice to the PBGC is waived under applicable regulations.

"Required Lenders" means, at any time, Lenders whose aggregate Pro Rata Shares (calculated under clause (c) of the definition of Pro Rata Shares) equals at least 51%.

"Reserve Percentage" means, on any day, for any Lender, the maximum percentage prescribed by the Board of Governors of the Federal Reserve System (or any successor Governmental Authority) for determining the reserve requirements (including any basic, supplemental, marginal, or emergency reserves) that are in effect on such date with respect to eurocurrency funding (currently referred to as "eurocurrency liabilities") of that Lender, but so long as such Lender is not required or directed under applicable regulations to maintain such reserves, the Reserve Percentage shall be zero.

"Revolver Commitment" means, with respect to each Lender, its Revolver Commitment, and, with respect to all Lenders, their Revolver Commitments, in each case as such Dollar amounts are set forth beside such Lender's name under the applicable heading on Schedule C-1 or in the Assignment and Acceptance pursuant to which such Lender became a Lender hereunder in accordance with the provisions of Section 14.1.

"Revolver Usage" means, as of any date of determination, the sum of (a) the then extant amount of outstanding Advances, plus (b) the then extant amount of the Letter of Credit Usage.

"Risk Participation Liability" means, as to each Letter of Credit, all reimbursement obligations of Borrowers to the Issuing Lender with respect to an L/C Undertaking, consisting of (a) the amount available to be drawn or which may become available to be drawn, (b) all amounts that have been paid by the Issuing Lender to the Underlying Issuer to the extent not reimbursed by Borrowers, whether by the making of an Advance or otherwise, and (c) all accrued and unpaid interest, fees, and expenses payable with respect thereto.

"SEC" means the United States Securities and Exchange Commission and any successor thereto.

"Securities Account" means a "securities account" as that term is defined in the Code.

"Security Agreement" means an Amended and Restated Security Agreement, in form and substance satisfactory to Agent, executed and delivered by each Loan Party (including the Parent), other than a Canadian Guarantor, in favor of Collateral Agent for the benefit of Lender Group and the Bank Product Providers.

"Seller" means any Person that sells Stock of a Target or causes a Target to sell its assets to a Loan Party or a Subsidiary of a Loan Party in a Permitted Acquisition.

"Settlement" has the meaning set forth in Section 2.3(f)(i).

"Settlement Date" has the meaning set forth in Section 2.3(f)(i).

"Solvent" means, with respect to any Person on a particular date, that, at fair valuations, the sum of such Person's assets is greater than all of such Person's debts.

"Source Alliance" means Alligator Acquisition, LLC, a Delaware limited liability company and a wholly-owned subsidiary of Parent.

"Source Alliance Subsidiaries" means AEC One Stop, Distribution & Fulfillment Services Group, Inc., a Delaware corporation, A.E. Land Corp., a Delaware corporation, AEC Direct, Inc., a Delaware corporation, and AEC Supermarket Services Group, LLC, a Delaware limited liability company.

"Source Home" means Source Home Entertainment, Inc., a Delaware corporation and a wholly-owned subsidiary of Parent.

"Spin-Off Documents" means (i) the Distribution and Separation Agreement, (ii) the Tax Sharing and Indemnification Agreement and (iii) the Transition Service Agreement, each dated as of December 31, 2004, between Alliance and Digital-On-Demand, Inc., a Delaware corporation, and any other agreement, instrument or other document executed and delivered in connection therewith.

"Stock" means all shares, options, warrants, interests, participations, or other equivalents (regardless of how designated) of or in a Person, whether voting or nonvoting, including common stock, preferred stock, or any other "equity security" (as such term is defined in Rule 3a11-1 of the General Rules and Regulations promulgated by the SEC under the Exchange Act).

"Stockholder's Agreement" means the Stockholder's Agreement dated as of February 28, 2005, between Parent, as successor to Source Missouri, and AEC Associates, as amended on or prior to the Closing Date.

"Subject Lender" has the meaning set forth in Section 2.14(b).

"Subordinated Indebtedness" means unsecured Indebtedness of any Loan Party which has been expressly subordinated in right of payment to all Indebtedness of such Loan Party under the Loan Documents by the execution and delivery of a subordination agreement, in form and substance satisfactory to Agent and the Required Lenders (or to the extent such Indebtedness is incurred in connection with a Permitted Acquisition, in form and substance satisfactory to Agent in its Permitted Discretion), which Indebtedness is on terms and conditions (including, without limitation, payment terms, interest rates, covenants, defaults and other material terms) satisfactory to Agent and Required Lenders (or to the extent such Indebtedness is incurred in connection with a Permitted Acquisition, in form and substance satisfactory to Agent in its Permitted Discretion).

"Subsidiary" of a Person means a corporation, partnership, limited liability company, or other entity in which that Person directly or indirectly owns or controls the shares of Stock having ordinary voting power to elect a majority of the board of directors (or appoint other comparable managers) of such corporation, partnership, limited liability company, or other entity.

"SunTrust Documents" means, collectively, the SunTrust Equipment Loan Documents and the SunTrust Real Estate Loan Documents.

"SunTrust Equipment Guarantees" means the Agreement of Guaranty made by Alliance Entertainment Corp. in favor of SunTrust Leasing Corporation, dated as of March 20, 2003, and the Agreement of Guaranty made by Distribution & Fulfillment Services Group, Inc. in favor of SunTrust Leasing Corporation, dated as of March 20, 2003.

"SunTrust Equipment Loan Agreement" means the Loan and Security Agreement, dated as of March 20, 2003, as previously amended, by and between AEC One Stop, as borrower, and SunTrust Leasing Corporation, as lender, pursuant to which SunTrust Leasing Corporation provided Loans (as defined therein) under the Commitment Letters (as defined therein) to AEC One Stop Group, Inc., which Loans have an aggregate original principal amount of $5,151,311.45 as of the Closing Date and are secured by the Equipment (as defined therein) owned by AEC One Stop.

"SunTrust Equipment Loan Documents" means the SunTrust Equipment Loan Agreement, the SunTrust Equipment Guarantees and the other "Loan Documents" as defined in the SunTrust Equipment Loan Agreement.

"SunTrust Real Estate Loan Documents" means the Loan Agreement dated as of May 17, 2002, between A.E. Land Corp., as borrower, and SunTrust Bank, as lender, pursuant to which SunTrust Bank provided a loan in the original principal amount of $8,500,000 to A.E. Land Corp., secured by certain real

estate owned by A.E. Land Corp., the SunTrust Guaranty and the other "Loan Documents" (as defined therein).

"SunTrust Real Estate Guaranty" means the Guaranty Agreements delivered by the Affiliate Guarantors (as those terms are defined in the SunTrust Documents) dated as May 17, 2002.

"Swing Lender" means WFF or any other Lender that, at the request of Administrative Borrower and with the consent of Agent agrees, in such Lender's sole discretion, to become the Swing Lender under Section 2.3(d).

"Swing Loan" has the meaning set forth in Section 2.3(d)(i).

"Target" means a Person, the Stock or assets of which are proposed to be acquired pursuant to an Acquisition.

"Taxes" has the meaning set forth in Section 16.11.

"Termination Event" means (i) a Reportable Event with respect to any Benefit Plan, (ii) any event that causes any Loan Party or any of its ERISA Affiliates to incur liability under Section 409, 502(i), 502(l), 515, 4062, 4063, 4064, 4069, 4201, 4204 or 4212 of ERISA or Section 4971 or 4975 of the IRC, (iii) the filing of a notice of intent to terminate a Benefit Plan or the treatment of a Benefit Plan amendment as a termination under Section 4041 of ERISA, (iv) the institution of proceedings by the PBGC to terminate a Benefit Plan, (v) any other event or condition which might constitute grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Benefit Plan, or (vi) any equivalent event, action, condition, proceeding or otherwise under Canadian Employee Benefit Laws.

"Total Commitment" means the aggregate amount of the Revolver Commitments of all Lenders.

"Trademark Security Agreement" means a trademark security agreement executed and delivered by each applicable Loan Party and Collateral Agent, the form and substance of which is satisfactory to Agent.

"Transaction Documents" means the Loan Documents, the Alliance Merger Documents and the Reincorporation Documents.

"Transactions" means the Alliance Merger, the Reincorporation Merger, the extension of this Facility to the Loan Parties and the other transactions contemplated by the Transaction Documents.

"UCC Filing Authorization Letter" means a letter duly executed by each Loan Party authorizing Collateral Agent to file appropriate financing statements

on Form UCC-1 without the signature of such Loan Party, in such office or offices as may be necessary or, in the opinion of Agent, desirable to perfect the security interests purported to be created by the Loan Documents.

"Underlying Issuer" means a third Person which is the beneficiary of an L/C Undertaking and which has issued a letter of credit at the request of the Issuing Lender for the benefit of Borrowers.

"Underlying Letter of Credit" means a letter of credit that has been issued by an Underlying Issuer.

"United States" means the United States of America.

"US Marketing Services" means Source-U.S. Marketing Services, Inc., a Delaware corporation.

"Vendor" means each vendor which sells Inventory and extends trade credit to one or more Loan Parties from time to time and has a Lien on any such Inventory.

"Vendor Agreements" means the Vendor Supply Agreements and the Vendor Security Agreements.

"Vendor Intercreditor Agreement" means any intercreditor agreement entered into by and between Collateral Agent and a Vendor, in form and substance satisfactory to Agent.

"Vendor Lien" means a Lien of a Vendor solely on certain Inventory of one or more Eligible Loan Parties as more precisely described in and granted pursuant to the applicable Vendor Security Agreement; provided, however, that any such Inventory subject to a Vendor Lien shall be deemed Eligible Inventory hereunder (subject to the other criteria set forth in the definition of such term) only for the 30 day period following the Closing Date unless Agent shall have received (a) an officer's certificate certifying that, as to such Vendor, (i) attached thereto are true, correct and complete copies of all applicable Vendor Agreements between such Eligible Loan Parties and such Vendor, and (ii) all such Vendor Agreements are in full force and effect; and (b) a duly executed Vendor Intercreditor Agreement from such Vendor.

"Vendor Security Agreement" means a security agreement between one or more Eligible Loan Parties and a Vendor, regarding a Lien solely on certain Inventory of one or more Eligible Loan Parties.

"Vendor Supply Agreement" means each agreement between one or more Eligible Loan Parties and a Vendor regarding current and future trade terms.

"Voidable Transfer" has the meaning set forth in Section 17.7.

"Wells Fargo" means Wells Fargo Bank, National Association, a national banking association.

"WFF" has the meaning set forth in the preamble hereto.

"WFF Debt" means, at any date, the Maximum Revolver Amount.

"WFF Debt Ratio" means, at any date, the ratio of (i) WFF Debt at such date, to (ii) EBITDA for the trailing four fiscal quarters most recently ended on or prior to such date.

"WFF Eligible Foreign Accounts" means Foreign Accounts described in clause (i) or (ii) of the definition thereof that are otherwise Eligible Accounts and meet the criteria established by the Export-Import Bank of the United States, pursuant to which such Bank would be willing to guarantee payment of at least 90% of the Advances made and Letters of Credit issued in respect of such Foreign Accounts pursuant to an EXIM Guaranty, notwithstanding that

an EXIM Guaranty has not been executed for such Foreign Accounts. The WFF Eligible Foreign Accounts shall not include the Guaranteed Foreign Accounts.

"Wood Manufacturing Accounts" means Accounts arising from goods sold and services rendered by the Wood Manufacturing Business Segments of the Loan Parties.

"Wood Manufacturing Business Segments" means the Wood Manufacturing/Quincy Business Segment and the Wood Manufacturing/NC Business Segment.

"Wood Manufacturing/NC Business Segment" means the business and operations of the Loan Parties related to designing and manufacturing custom wood millwork conducted on the Closing Date by the Subsidiaries of Parent named in Part III-A of Schedule S-1.

"Wood Manufacturing/Quincy Business Segment" means the business and operations of the Loan Parties related to designing and manufacturing custom wood and wire displays for periodicals conducted on the Closing Date by the Subsidiaries of Parent named in Part III-B of Schedule S-1.

"Yucaipa" means The Yucaipa Companies LLC, a Delaware limited liability company.

"Yucaipa Management Agreement" means that certain Consulting Agreement dated as of February 28, 2005, between Yucaipa and Parent.

1.2. ACCOUNTING TERMS. All accounting terms not specifically defined herein shall be construed in accordance with GAAP. When used herein, the term "financial statements" shall include the notes and schedules thereto. Whenever the term "Borrowers" or the term "Parent" is used in respect of a financial covenant or a related definition, it shall be understood to mean Parent and its Subsidiaries on a consolidated basis unless the context clearly requires otherwise.

1.3. CODE. Any terms used in this Agreement that are defined in the Code shall be construed and defined as set forth in the Code unless otherwise defined herein.

1.4. CONSTRUCTION. Unless the context of this Agreement or any other Loan Document clearly requires otherwise, references to the plural include the singular, references to the singular include the plural, the term "including" is not limiting, and the term "or" has, except where otherwise indicated, the inclusive meaning represented by the phrase "and/or." The words "hereof," "herein," "hereby," "hereunder," and similar terms in this Agreement or any other Loan Document refer to this Agreement or such other Loan Document, as the case may be, as a whole and not to any particular provision of this Agreement or such other Loan Document, as the case may be. Section, subsection, clause, schedule, and exhibit references herein are to this Agreement unless otherwise specified. Any reference in this Agreement or in the other Loan Documents to any agreement, instrument, or document shall include all alterations, amendments, changes, extensions, modifications, renewals, replacements, substitutions, joinders, and supplements, thereto and thereof, as applicable (subject to any restrictions on such alterations, amendments, changes, extensions, modifications, renewals, replacements, substitutions, joinders, and supplements set forth herein). Any reference herein to the repayment in full of the

Obligations shall mean the repayment in full in cash of all Obligations other than contingent indemnification Obligations and other than any Bank Product Obligations that, at such time, are allowed by the applicable Bank Product Provider to remain outstanding and are not required to be repaid or cash collateralized pursuant to the provisions of this Agreement. Any reference herein to any Person shall be construed to include such Person's successors and assigns. Any requirement of a writing contained herein or in the other Loan Documents shall be satisfied by the transmission of a Record and any Record transmitted shall constitute a representation and warranty as to the accuracy and completeness of the information contained therein.

1.5. SCHEDULES AND EXHIBITS. All of the schedules and exhibits attached to this Agreement shall be deemed incorporated herein by reference.

2. LOAN AND TERMS OF PAYMENT.

2.1. REVOLVER ADVANCES.

(a) Subject to the terms and conditions of this Agreement, and during the term of this Agreement, each Lender with a Revolver Commitment agrees (severally, not jointly or jointly and severally) to make advances ("Advances") to Borrowers in an amount at any one time outstanding not to exceed such Lender's Pro Rata Share of an amount equal to the lesser of (i) the Maximum Revolver Amount less the Letter of Credit Usage, or (ii) the Borrowing Base less the Letter of Credit Usage. The parties acknowledge that the Lenders have made "Advances" (as defined in the Existing Loan Agreement) and the Existing Term Loan to the Borrowers under the Existing Loan Agreement, a portion of which remain outstanding on the Closing Date (immediately prior to the effectiveness of this Agreement). Upon the effectiveness of this Agreement and subject to the terms and conditions hereof, each "Advance" (as defined in the Existing Loan Agreement) and the remaining portion of the Existing Term Loan shall automatically be deemed to be an Advance to the Borrowers by the Lenders under this Agreement. Such Advance is sometimes referred to herein as the Existing Loan Facility Advance.

(b) Anything to the contrary in this Section 2.1 notwithstanding, Agent shall have the right to establish reserves in such amounts, and with respect to such matters, as Agent in its Permitted Discretion shall deem necessary or appropriate, against the Borrowing Base, including reserves with respect to (i) sums that the Loan Parties are required to pay (such as taxes, assessments, insurance premiums, or, in the case of leased assets, rents or other amounts payable under such leases) and has failed to pay under any Section of this Agreement or any other Loan Document, (ii) amounts owing by the Loan Parties or their Subsidiaries to any Person to the extent secured by a Lien on, or trust over, any of the Collateral (other than any existing Permitted Lien set forth on Schedule P-1 which is specifically identified thereon as entitled to have priority over the Collateral Agent's Liens), which Lien or trust, in the Permitted Discretion of Agent likely would have a priority superior to the Collateral Agent's Liens (such as Liens or trusts in favor of landlords, warehousemen, carriers, mechanics, materialmen, laborers, or suppliers, or Liens or trusts for ad valorem, excise, sales, or other taxes where given priority under applicable law) in and to such item of the Collateral, and (iii) any deterioration in the financial condition or credit quality of Barnes and Noble or Borders, or any other major customer.

(c) The Lenders with Revolver Commitments shall have no obligation to make additional Advances hereunder to the extent such additional Advances would cause the Revolver Usage to exceed the Maximum Revolver Amount.

(d) Amounts borrowed pursuant to this Section 2.1 may be repaid and, subject to the terms and conditions of this Agreement, reborrowed at any

time during the term of this Agreement.

2.2. [INTENTIONALLY OMITTED]

2.3. BORROWING PROCEDURES AND SETTLEMENTS.

(a) PROCEDURE FOR BORROWING. Each Borrowing shall be made by an irrevocable written request by an Authorized Person delivered to Agent (which notice must be received by Agent no later than 10:00 a.m. (California time) on the Business Day prior to the date that is the requested Funding Date specifying (i) the amount of such Borrowing, and (ii) the requested Funding Date, which shall be a Business Day; provided, however, that in the case of a request for Swing Loan in an amount of $20,000,000, or less, such notice will be timely received if it is received by Agent no later than 10:00 a.m. (California time) on the Business Day that is the requested Funding Date). At Agent's election, in lieu of delivering the above-described written request, any Authorized Person may give Agent telephonic notice of such request by the required time. In such circumstances, Borrowers agree that any such telephonic notice will be confirmed in writing within 24 hours of the giving of such notice and the failure to provide such written confirmation shall not affect the validity of the request.

(b) AGENT'S ELECTION. Promptly after receipt of a request for a Borrowing pursuant to Section 2.3(a), Agent shall elect, in its discretion, (i) to have the terms of Section 2.3(c) apply to such requested Borrowing, or (ii) if the Borrowing is for an Advance, to request Swing Lender to make a Swing Loan pursuant to the terms of Section 2.3(d) in the amount of the requested Borrowing; provided, however, that if Swing Lender declines in its sole discretion to make a Swing Loan pursuant to Section 2.3(d), Agent shall elect to have the terms of Section 2.3(c) apply to such requested Borrowing.

(c) MAKING OF LOANS.

(i) In the event that Agent shall elect to have the terms of this Section 2.3(c) apply to a requested Borrowing as described in Section 2.3(b), then promptly after receipt of a request for a Borrowing pursuant to Section 2.3(a), Agent shall notify the Lenders, not later than 1:00 p.m. (California time) on the Business Day immediately preceding the Funding Date applicable thereto, by telecopy, telephone, or other similar form of transmission, of the requested Borrowing. Each Lender shall make the amount of such Lender's Pro Rata Share of the requested Borrowing available to Agent in immediately available funds, to Agent's Account, not later than 10:00 a.m. (California time) on the Funding Date applicable thereto. After Agent's receipt of the proceeds of such Advances, Agent shall make the proceeds thereof available to Administrative Borrower on the applicable Funding Date by transferring immediately available funds equal to such proceeds received by Agent to Administrative Borrower's Designated

Account; provided, however, that, subject to the provisions of Section 2.3(i), Agent shall not request any Lender to make, and no Lender shall have the obligation to make, any Advance if Agent shall have actual knowledge that (1) one or more of the applicable conditions precedent set forth in Section 3 will not be satisfied on the requested Funding Date for the applicable Borrowing unless such condition has been waived, or (2) the requested Borrowing would exceed the Availability on such Funding Date.

(ii) Unless Agent receives notice from a Lender on or prior to the Closing Date or, with respect to any Borrowing after the Closing Date, prior to 9:00 a.m. (California time) on the date of such Borrowing, that such Lender will not make available as and when required hereunder to Agent for the account of Borrowers the amount of that Lender's Pro Rata Share of the Borrowing, Agent may assume that each Lender has made or will make such amount available to Agent in immediately available funds on the Funding Date and Agent may (but shall not be so required), in reliance upon such assumption, make available to Borrowers on such date a corresponding amount. If and to the extent any Lender shall not have made its full amount available to Agent in immediately available funds and Agent in such circumstances has made available to Borrowers such amount, that Lender shall on the Business Day following such Funding Date make such amount available to Agent, together with interest at the Defaulting Lender Rate for each day during such period. A notice submitted by Agent to any Lender with respect to amounts owing under this subsection shall be conclusive, absent manifest error. If such amount is so made available, such payment to Agent shall constitute such Lender's Advance on the date of Borrowing for all purposes of this Agreement. If such amount made available by Agent to Borrowers is not made available to Agent by such Lender on the Business Day following the Funding Date, Agent will notify Administrative Borrower of such failure to fund and, upon demand by Agent, Borrowers shall pay such amount to Agent for Agent's account, together with interest thereon for each day elapsed since the date of such Borrowing, at a rate per annum equal to the interest rate applicable at the time to the Advances composing such Borrowing. The failure of any Lender to make any Advance on any Funding Date shall not relieve any other Lender of any obligation hereunder to make an Advance on such Funding Date, but no Lender shall be responsible for the failure of any other Lender to make the Advance to be made by such other Lender on any Funding Date.

(iii) Agent shall not be obligated to transfer to a Defaulting Lender any payments made by Borrowers to Agent for the Defaulting Lender's benefit, and, in the absence of such transfer to the Defaulting Lender, Agent shall transfer any such payments to each other non-Defaulting Lender member of the Lender Group ratably in accordance with their Commitments (but only to the extent that such Defaulting Lender's Advance was funded by the other members of the Lender Group) or, if so directed by Administrative Borrower and if no Default or Event of Default had occurred and is continuing (and to the extent such Defaulting Lender's Advance was not funded by the Lender Group), retain same to be re-advanced to Borrowers as if such Defaulting Lender had made Advances to Borrowers. Subject to the

foregoing, Agent may hold and, in its Permitted Discretion, re-lend to Borrowers for the account of such Defaulting Lender the amount of all such payments received and retained by Agent for the account of such Defaulting Lender. Solely for the purposes of voting or consenting to matters with

respect to the Loan Documents, such Defaulting Lender shall be deemed not to be a "Lender" and such Lender's Commitment shall be deemed to be zero. This Section shall remain effective with respect to such Lender until (x) the Obligations under this Agreement shall have been declared or shall have become immediately due and payable, (y) the non-Defaulting Lenders, Agent, and Administrative Borrower shall have waived such Defaulting Lender's default in writing, or (z) the Defaulting Lender makes its Pro Rata Share of the applicable Advance and pays to Agent all amounts owing by Defaulting Lender in respect thereof. The operation of this Section shall not be construed to increase or otherwise affect the Commitment of any Lender, to relieve or excuse the performance by such Defaulting Lender or any other Lender of its duties and obligations hereunder, or to relieve or excuse the performance by Borrowers of their duties and obligations hereunder to Agent or to the Lenders other than such Defaulting Lender. Any such failure to fund by any Defaulting Lender shall constitute a material breach by such Defaulting Lender of this Agreement and shall entitle Administrative Borrower at its option, upon written notice to Agent, to arrange for a substitute Lender to assume the Commitment of such Defaulting Lender, such substitute Lender to be acceptable to Agent. In connection with the arrangement of such a substitute Lender, the Defaulting Lender shall have no right to refuse to be replaced hereunder, and agrees to execute and deliver a completed form of Assignment and Acceptance in favor of the substitute Lender (and agrees that it shall be deemed to have executed and delivered such document if it fails to do so) subject only to being repaid its share of the outstanding Obligations (other than Bank Product Obligations, but including an assumption of its Pro Rata Share of the Risk Participation Liability) without any premium or penalty of any kind whatsoever; provided however, that any such assumption of the Commitment of such Defaulting Lender shall not be deemed to constitute a waiver of any of the Lender Groups' or Borrowers' rights or remedies against any such Defaulting Lender arising out of or in relation to such failure to fund.

(d) MAKING OF SWING LOANS.

(i) In the event Agent shall elect, with the consent of Swing Lender, as a Lender, to have the terms of this Section 2.3(d) apply to a requested Borrowing as described in Section 2.3(b), Swing Lender as a Lender shall make such Advance in the amount of such Borrowing (any such Advance made solely by Swing Lender as a Lender pursuant to this Section 2.3(d) being referred to as a "Swing Loan" and such Advances being referred to collectively as "Swing Loans") available to Borrowers on the Funding

Date applicable thereto by transferring immediately available funds to Administrative Borrower's Designated Account. Each Swing Loan shall be deemed to be an Advance hereunder and shall be subject to all the terms and conditions applicable to other Advances, except that no such Swing Loan shall be eligible to be a LIBOR Rate Loan and all payments on any Swing Loan shall be payable to Swing Lender as a Lender solely for its own account (and for the account of the holder of any participation interest with respect to such Swing Loan). Subject to the provisions of Section 2.3(i), Agent shall not request Swing Lender as a Lender to make, and Swing Lender as a Lender shall not make, any Swing Loan if Agent has actual knowledge that (i) one or more of the applicable conditions precedent set forth in Section 3 will not be satisfied on the requested Funding Date for the applicable Borrowing unless such condition has been

waived, or (ii) the requested Borrowing would exceed the Availability on such Funding Date. Swing Lender as a Lender shall not otherwise be required to determine whether the applicable conditions precedent set forth in Section 3 have been satisfied on the Funding Date applicable thereto prior to making, in its sole discretion, any Swing Loan.

(ii) The Swing Loans shall be secured by the Collateral Agent's Liens, constitute Obligations hereunder, and bear interest at the rate applicable from time to time to Advances that are Base Rate Loans.

(e) AGENT ADVANCES.

(i) Agent hereby is authorized by Borrowers and the Lenders, from time to time in Agent's sole discretion, (1) after the occurrence and during the continuance of a Default or an Event of Default, or (2) at any time that any of the other applicable conditions precedent set forth in Section 3 have not been satisfied, to make Advances to Borrowers on behalf of the Lenders that Agent, in its Permitted Discretion deems necessary or desirable (A) to preserve or protect the Collateral, or any portion thereof, (B) to enhance the likelihood of repayment of the Obligations (other than the Bank Product Obligations), or (C) to pay any other amount chargeable to Borrowers pursuant to the terms of this Agreement, including Lender Group Expenses and the costs, fees, and expenses described in Section 10 (any of the Advances described in this Section 2.3(e) shall be referred to as "Agent Advances"). Each Agent Advance shall be deemed to be an Advance hereunder, except that no such Agent Advance shall be eligible to be a LIBOR Rate Loan and all payments thereon shall be payable to Agent solely for its own account.

(ii) The Agent Advances shall be repayable on demand, secured by the Collateral Agent's Liens granted to Agent under the Loan Documents, constitute Obligations hereunder, and bear interest at the rate applicable

from time to time to Advances that are Base Rate Loans.

(iii) The aggregate principal amount of Agent Advances outstanding at any time shall not exceed $10,000,000.

(f) SETTLEMENT. It is agreed that each Lender's funded portion of the Advances is intended by the Lenders to equal, at all times, such Lender's Pro Rata Share of the outstanding Advances. Such agreement notwithstanding, Agent, Swing Lender, and the other Lenders agree (which agreement shall not be for the benefit of or enforceable by Borrowers) that in order to facilitate the administration of this Agreement and the other Loan Documents, settlement among them as to the Advances, the Swing Loans, and the Agent Advances shall take place on a periodic basis in accordance with the following provisions:

(i) Agent shall request settlement ("Settlement") with the Lenders on a weekly basis, or on a more frequent basis if so determined by Agent, (1) on behalf of Swing Lender, with respect to each outstanding Swing Loan, (2) for itself, with respect to each Agent Advance, and (3) with respect to Borrowers' or their Subsidiaries' Collections received, as to each by notifying the Lenders by telecopy, telephone, or other similar

form of transmission, of such requested Settlement, no later than 2:00 p.m. (California time) on the Business Day immediately prior to the date of such requested Settlement (the date of such requested Settlement being the "Settlement Date"). Such notice of a Settlement Date shall include a summary statement of the amount of outstanding Advances, Swing Loans, and Agent Advances for the period since the prior Settlement Date. Subject to the terms and conditions contained herein (including Section 2.3(c)(iii)): (y) if a Lender's balance of the Advances (including Swing Loans and Agent Advances) exceeds such Lender's Pro Rata Share of the Advances (including Swing Loans and Agent Advances) as of a Settlement Date, then Agent shall, by no later than 12:00 p.m. (California time) on the Settlement Date, transfer in immediately available funds to a Deposit Account of such Lender (as such Lender may designate), an amount such that each such Lender shall, upon receipt of such amount, have as of the Settlement Date, its Pro Rata Share of the Advances (including Swing Loans and Agent Advances), and (z) if a Lender's balance of the Advances (including Swing Loans and Agent Advances) is less than such Lender's Pro Rata Share of the Advances (including Swing Loans and Agent Advances) as of a Settlement Date, such Lender shall no later than 12:00 p.m. (California time) on the Settlement Date transfer in immediately available funds to the Agent's Account, an amount such that each such Lender shall, upon transfer of such amount, have as of the Settlement Date, its Pro Rata Share of the Advances (including Swing Loans and Agent Advances). Such amounts made available to Agent under clause (z) of the immediately preceding sentence shall be applied against the amounts of the applicable Swing Loans or Agent Advances and, together

with the portion of such Swing Loans or Agent Advances representing Swing Lender's Pro Rata Share thereof, shall constitute Advances of such Lenders. If any such amount is not made available to Agent by any Lender on the Settlement Date applicable thereto to the extent required by the terms hereof, Agent shall be entitled to recover for its account such amount on demand from such Lender together with interest thereon at the Defaulting Lender Rate.

(ii) In determining whether a Lender's balance of the Advances, Swing Loans, and Agent Advances is less than, equal to, or greater than such Lender's Pro Rata Share of the Advances, Swing Loans, and Agent Advances as of a Settlement Date, Agent shall, as part of the relevant Settlement, apply to such balance the portion of payments actually received in good funds by Agent with respect to principal, interest, fees payable by Borrowers and allocable to the Lenders hereunder, and proceeds of Collateral. To the extent that a net amount is owed to any such Lender after such application, such net amount shall be distributed by Agent to that Lender as part of such next Settlement.

(iii) Between Settlement Dates, Agent, to the extent no Agent Advances or Swing Loans are outstanding, may pay over to Swing Lender any payments received by Agent, that in accordance with the terms of this Agreement would be applied to the reduction of the Advances, for application to Swing Lender's Pro Rata Share of the Advances. If, as of any Settlement Date, Collections of Borrowers or their Subsidiaries received since the then immediately preceding Settlement Date have been applied to Swing Lender's Pro Rata Share of the Advances other than to Swing Loans, as provided for in the previous sentence, Swing Lender shall pay to Agent for the accounts of the Lenders, and Agent shall pay to the Lenders, to be applied to the outstanding Advances

of such Lenders, an amount such that each Lender shall, upon receipt of such amount, have, as of such Settlement Date, its Pro Rata Share of the Advances. During the period between Settlement Dates, Swing Lender with respect to Swing Loans, Agent with respect to Agent Advances, and each Lender (subject to the effect of letter agreements between Agent and individual Lenders) with respect to the Advances other than Swing Loans and Agent Advances, shall be entitled to interest at the applicable rate or rates payable under this Agreement on the daily amount of funds employed by Swing Lender, Agent, or the Lenders, as applicable.

(g) NOTATION. Agent shall record on its books the principal amount of the Advances owing to each Lender, including the Swing Loans owing to Swing Lender, and Agent Advances owing to Agent, and the interests therein of each Lender, from time to time and such records shall, absent manifest error, conclusively be presumed to be correct and accurate. In addition, each Lender is

authorized, at such Lender's option, to note the date and amount of each payment or prepayment of principal of such Lender's Advances in its books and records, including computer records.

(h) LENDERS' FAILURE TO PERFORM. All Advances (other than Swing Loans and Agent Advances) shall be made by the Lenders contemporaneously and in accordance with their Pro Rata Shares. It is understood that (i) no Lender shall be responsible for any failure by any other Lender to perform its obligation to make any Advance (or other extension of credit) hereunder, nor shall any Commitment of any Lender be increased or decreased as a result of any failure by any other Lender to perform its obligations hereunder, and (ii) no failure by any Lender to perform its obligations hereunder shall excuse any other Lender from its obligations hereunder.

(i) OPTIONAL OVERADVANCES. Any contrary provision of this Agreement notwithstanding, the Lenders hereby authorize Agent or Swing Lender, as applicable, and Agent or Swing Lender, as applicable, may, but is not obligated to, knowingly and intentionally, continue to make Advances (including Swing Loans) to Borrowers notwithstanding that an Overadvance exists or thereby would be created, so long as (i) after giving effect to such Advances (including Swing Loans), the outstanding Revolver Usage does not exceed the Borrowing Base by more than $10,000,000, (ii) after giving effect to such Advances (including Swing Loans), the outstanding Revolver Usage (except for and excluding amounts charged to the Loan Account for interest, fees, or Lender Group Expenses) does not exceed the Maximum Revolver Amount, and (iii) at the time of the making of any such Advance (including any Swing Loan), Agent does not believe, in good faith, that the Overadvance created by such Advance will be outstanding for more than 90 days. The foregoing provisions are for the exclusive benefit of Agent, Swing Lender, and the Lenders and are not intended to benefit Borrowers in any way. The Advances and Swing Loans, as applicable, that are made pursuant to this Section 2.3(i) shall be subject to the same terms and conditions as any other Advance or Swing Loan, as applicable, except that they shall not be eligible for the LIBOR Option and the rate of interest applicable thereto shall be the rate applicable to Advances that are Base Rate Loans under Section 2.6(c) hereof without regard to the presence or absence of a Default or Event of Default.

(A) In the event Agent obtains actual knowledge that the Revolver Usage exceeds the amounts permitted by the preceding paragraph,

regardless of the amount of, or reason for, such excess, Agent shall notify the Lenders as soon as practicable (and prior to making any (or any additional) intentional Overadvances (except for and excluding amounts charged to the Loan Account for interest, fees, or Lender Group Expenses) unless Agent determines that prior notice would result in imminent harm to the Collateral or its value), and the Lenders with

Revolver Commitments thereupon shall, together with Agent, jointly determine the terms of arrangements that shall be implemented with Borrowers intended to reduce, within a reasonable time, the outstanding principal amount of the Advances to Borrowers to an amount permitted by the preceding paragraph. In the event Agent or any Lender disagrees over the terms of reduction or repayment of any Overadvance, the terms of reduction or repayment thereof shall be implemented according to the determination of the Required Lenders.

(B) Each Lender with a Revolver Commitment shall be obligated to settle with Agent as provided in Section 2.3(f) for the amount of such Lender's Pro Rata Share of any unintentional Overadvances by Agent reported to such Lender, any intentional Overadvances made as permitted under this Section 2.3(i), and any Overadvances resulting from the charging to the Loan Account of interest, fees, or Lender Group Expenses.

2.4. PAYMENTS.

(a) PAYMENTS BY BORROWERS.

(i) Except as otherwise expressly provided herein, all payments by Borrowers shall be made to Agent's Account for the account of the Lender Group and shall be made in immediately available funds, no later than 11:00 a.m. (California time) on the date specified herein. Any payment received by Agent later than 11:00 a.m. (California time), shall be deemed to have been received on the following Business Day and any applicable interest or fee shall continue to accrue until such following Business Day.

(ii) Unless Agent receives notice from Administrative Borrower prior to the date on which any payment is due to the Lenders that Borrowers will not make such payment in full as and when required, Agent may assume that Borrowers have made (or will make) such payment in full to Agent on such date in immediately available funds and Agent may (but shall not be so required), in reliance upon such assumption, distribute to each Lender on such due date an amount equal to the amount then due such Lender. If and to the extent Borrowers do not make such payment in full to Agent on the date when due, each Lender severally shall repay to Agent on demand such amount distributed to such Lender, together with interest thereon at the Defaulting Lender Rate for each day from the date such amount is distributed to such Lender until the date repaid.

(b) APPORTIONMENT AND APPLICATION.

(i) Except as otherwise provided with respect to Defaulting Lenders and except as otherwise provided in the Loan Documents (including

letter agreements between Agent and individual Lenders), aggregate principal and interest payments shall be apportioned ratably among the Lenders (according to the unpaid principal balance of the Obligations to which such payments relate held by each Lender) and payments of fees and expenses (other than fees or expenses that are for Agent's separate account, after giving effect to any letter agreements between Agent and individual Lenders) shall be apportioned ratably among the Lenders having a Pro Rata Share of the type of Commitment or Obligation to which a particular fee relates. Except as otherwise specifically provided in Section 2.4(c), all payments shall be remitted to Agent and all such payments, and all proceeds of Collateral received by Agent, shall be applied as follows:

(A) first, to pay any Lender Group Expenses then due to Agent under the Loan Documents, until paid in full,

(B) second, to pay any Lender Group Expenses then due to the Lenders under the Loan Documents, on a ratable basis, until paid in full,

(C) third, to pay any fees then due to Agent (for its separate accounts, after giving effect to any letter agreements between Agent and the individual Lenders) under the Loan Documents until paid in full,

(D) fourth, to pay any fees then due to any or all of the Lenders (after giving effect to any letter agreements between Agent and individual Lenders) under the Loan Documents, on a ratable basis, until paid in full,

(E) fifth, to pay interest due in respect of all Agent Advances, until paid in full,

(F) sixth, ratably to pay interest due in respect of the Advances (other than Agent Advances) and the Swing Loans until paid in full,

(G) seventh, to pay the principal of all Agent Advances until paid in full,

(H) eighth, to pay the principal of all Swing Loans until paid in full,

(I) ninth, so long as no Event of Default has occurred and is continuing, and at Agent's election (which election Agent agrees will not be made if an Overadvance would be created thereby), to pay amounts then due and owing by Administrative Borrower or its Subsidiaries in respect of Bank Products, until paid in full,

(J) tenth, so long as no Event of Default has occurred and is continuing, to pay the principal of all Advances until paid in full,

(K) eleventh, if an Event of Default has occurred and is continuing, ratably (i) to pay the principal of all Advances until paid in full, (ii) to Agent, to be held by Agent, for the ratable benefit of Issuing Lender and those Lenders having a Revolver Commitment, as cash collateral in an amount up to 105% of the then extant Letter of Credit Usage until paid in full, and (iii) to Agent, to be held by Agent, for the benefit of the Bank Product Providers, as cash collateral in an amount up to the amount of the Bank Product Reserve established prior to the occurrence of, and not in contemplation of, the subject Event of Default until Administrative Borrower's and its Subsidiaries' obligations in respect of the then extant Bank Products have been paid in full or the cash collateral amount has been exhausted,

(L) twelfth, if an Event of Default has occurred and is continuing, to pay any other Obligations (including the provision of amounts to Agent, to be held by Agent, for the benefit of the Bank Product Providers, as cash collateral in an amount up to the amount determined by Agent in its Permitted Discretion as the amount necessary to secure Administrative Borrower's and its Subsidiaries' obligations in respect of the then extant Bank Products), and

(M) thirteenth, to Borrowers (to be wired to the Designated Account) or such other Person entitled thereto under applicable law.

(ii) Agent promptly shall distribute to each Lender, pursuant to the applicable wire instructions received from each Lender in writing, such funds as it may be entitled to receive, subject to a Settlement delay as provided in Section 2.3(f).

(iii) In each instance, so long as no Event of Default has occurred and is continuing, this Section 2.4(b) shall not be deemed to apply to any payment by Borrowers specified by Borrowers to be for the payment of specific Obligations then due and payable (or prepayable) under any provision of this Agreement.

(iv) For purposes of the foregoing, "paid in full" means payment of all amounts owing under the Loan Documents according to the terms thereof, including loan fees, service fees, professional fees, interest (and specifically including interest accrued after the commencement of any Insolvency Proceeding), default interest, interest on interest, and expense reimbursements, whether or not any of the foregoing would be or is allowed

or disallowed in whole or in part in any Insolvency Proceeding.

(v) In the event of a direct conflict between the priority provisions of this Section 2.4 and other provisions contained in any other Loan Document, it is the intention of the parties hereto that such priority provisions in such documents shall be read together and construed, to the fullest extent possible, to be in concert with each other. In the event of any actual, irreconcilable conflict that cannot be resolved as aforesaid, the terms and provisions of this Section 2.4 shall control and govern.

(c) MANDATORY PREPAYMENTS.

(i) If on any day an Overadvance exists, Borrowers shall immediately pay to Agent an amount equal to such Overadvance in accordance with Section 2.5.

(ii) Immediately upon any sale or disposition by any Loan Party or its Subsidiaries of property or assets (other than a Permitted Disposition described in clause (b), (c), (d), (e) or (f) of the definition of such term) or the receipt by any Loan Party of the proceeds of any insurance policy with respect to Inventory or condemnation awards with respect to Inventory, Borrowers shall prepay the outstanding principal amount of the Advances in accordance with Section 2.4(d) in an amount equal to 100% of the Net Cash Proceeds or the insurance or condemnation proceeds received by such Person in connection with such sales or dispositions or such casualty or condemnation event to the extent that the aggregate amount of Net Cash Proceeds received by all Loan Parties and their Subsidiaries (and not paid to Agent as a prepayment of the Advances) for all such sales or dispositions shall exceed $250,000 since the Closing Date. Nothing contained in this subclause (ii) shall permit any Loan Party or any of its Subsidiaries to sell or otherwise dispose of any property or assets other than in accordance with Section 7.4.

(iii) Upon the receipt by any Loan Party or any of its Subsidiaries of any Extraordinary Receipts, Borrowers shall prepay the outstanding principal amount of the Advances in accordance with Section 2.4(d) in an amount equal to 100% of such Extraordinary Receipts, net of any reasonable expenses incurred in collecting such Extraordinary Receipts.

(iv) Upon the sale or issuance by any Loan Party or any of its Subsidiaries of any shares of its Stock (other than on the Closing Date pursuant to the Alliance Merger Documents or the Reincorporation Documents), the Borrowers shall prepay the outstanding principal amount of the Advances in accordance with Section 2.4(d) in an amount equal to 100% of the Net Cash Proceeds received by such Person in connection therewith. The provisions of this subclause (iv) shall not be deemed to be implied

consent to any such issuance, incurrence or sale otherwise prohibited by the terms and conditions of this Agreement.

(d) APPLICATION OF PAYMENTS. Each prepayment pursuant to subsection (c) above shall be applied, first, to the Advances and thereafter, shall be held as cash collateral for any issued and outstanding Letters of Credit in an amount equal to 105% of the then extant Letter of Credit Usage, with the balance paid to the Borrowers.

2.5. OVERADVANCES. If, at any time or for any reason, the amount of Obligations (other than Bank Product Obligations) owed by Borrowers to the Lender Group pursuant to Section 2.1 or Section 2.12 is greater than either the Dollar or percentage limitations set forth in Section 2.1 or Section 2.12, as applicable (an "Overadvance"), Borrowers immediately shall pay to Agent, in cash, the amount of such excess, which amount shall be used by Agent to reduce the Obligations in accordance with the priorities set forth in Section 2.4(b). In addition, Borrowers hereby promise to pay the Obligations (including principal, interest, fees,

costs, and expenses) in Dollars in full as and when due and payable under the terms of this Agreement and the other Loan Documents.

2.6. INTEREST RATES AND LETTER OF CREDIT FEE: RATES, PAYMENTS, AND CALCULATIONS.

(a) INTEREST RATES. Except as provided in clause (c) below, all Obligations (except for undrawn Letters of Credit and except for Bank Product Obligations) that have been charged to the Loan Account pursuant to the terms hereof shall bear interest on the Daily Balance thereof as follows (i) if the relevant Obligation is an Advance that is a LIBOR Rate Loan, at a per annum rate equal to the LIBOR Rate plus the applicable LIBOR Rate Margin, and (ii) otherwise, at a per annum rate equal to the Base Rate plus the applicable Base Rate Margin.

(b) LETTER OF CREDIT FEE. Borrowers shall pay Agent (for the ratable benefit of the Lenders with a Revolver Commitment, subject to any letter agreement between Agent and individual Lenders), a Letter of Credit fee (in addition to the charges, commissions, fees, and costs set forth in Section 2.12(e)) which shall accrue at a rate per annum equal to (i) in the case of standby Letters of Credit, 2.00% and (ii) in the case of documentary Letters of Credit, 1.50%, in each case, times the Daily Balance of the undrawn amount of all such outstanding Letters of Credit.

(c) DEFAULT RATE. Upon the occurrence and during the continuation of an Event of Default (and at the election of Agent or the Required Lenders),

(i) all Obligations (except for undrawn Letters of Credit and except for Bank Product Obligations) that have been charged to the Loan Account pursuant to the terms hereof shall bear interest on the Daily Balance thereof at a per annum rate equal to 4 percentage points above the per annum rate otherwise applicable hereunder, and

(ii) the Letter of Credit fee provided for above shall be increased to 4 percentage points above the per annum rate otherwise applicable hereunder.

(d) PAYMENT. Except as provided to the contrary in Section 2.12(a), interest, Letter of Credit fees, and all other fees payable hereunder shall be due and payable, in arrears, on the first day of each month at any time that Obligations or Commitments are outstanding. Borrowers hereby authorize Agent, from time to time, without prior notice to Borrowers, to charge such interest and fees, all Lender Group Expenses (as and when incurred), the charges, commissions, fees, and costs provided for in Section 2.12(e) (as and when accrued or incurred), the fees and costs provided for in Section 2.11 (as and when accrued or incurred), and all other payments as and when due and payable under any Loan Document (including any amounts due and payable to the Bank Product Providers in respect of Bank Products up to the amount of the then extant Bank Product Reserve) to Borrowers' Loan Account, which amounts thereafter shall constitute Advances hereunder and shall accrue interest at the rate then applicable to Advances hereunder. Any interest not paid when due shall be compounded by being charged to Borrowers' Loan Account and shall thereafter constitute Advances hereunder and shall accrue interest at the rate then applicable to Advances that are Base Rate Loans hereunder.

(e) COMPUTATION. All interest and fees chargeable under the Loan Documents shall be computed on the basis of a 360 day year for the actual number of days elapsed. In the event the Base Rate is changed from time to time hereafter, the rates of interest hereunder based upon the Base Rate automatically and immediately shall be increased or decreased by an amount equal to such change in the Base Rate.

(f) INTENT TO LIMIT CHARGES TO MAXIMUM LAWFUL RATE. In no event shall the interest rate or rates payable under this Agreement, plus any other amounts paid in connection herewith, exceed the highest rate permissible under any law that a court of competent jurisdiction shall, in a final determination, deem applicable. Borrowers and the Lender Group, in executing and delivering this Agreement, intend legally to agree upon the rate or rates of interest and manner of payment stated within it; provided, however, that, anything contained herein to the contrary notwithstanding, if said rate or rates of interest or manner of payment exceeds the maximum allowable under applicable law, then, ipso facto, as of the date of this Agreement, Borrowers are and shall be liable only for the payment of such maximum as allowed by law, and payment received from

Borrowers in excess of such legal maximum, whenever received, shall be applied to reduce the principal balance of the Obligations to the extent of such excess.

2.7. CASH MANAGEMENT.

(a) Borrowers shall and shall cause each of their Subsidiaries to (i) establish and maintain cash management services of a type and on terms satisfactory to Agent at one or more of the banks set forth on Schedule 2.7(a) (each a "Cash Management Bank"), and shall request in writing and otherwise take such reasonable steps to ensure that all of their and their Subsidiaries' Account Debtors forward payment of the amounts owed by them directly to such Cash Management Bank, or to Borrowers for deposit in accordance with Section 2.7(a)(ii), and (ii) deposit or cause to be deposited promptly, and in any event no later than the first Business Day after the date of receipt thereof, all of their Collections (including those sent directly by their Account Debtors to a Cash Management Bank) into a bank account in Collateral Agent's name (a "Cash Management Account") at one of the Cash Management Banks.

(b) Each Cash Management Bank shall establish and maintain Cash Management Agreements with Agent and Borrowers, in form and substance acceptable to Agent. Each such Cash Management Agreement shall provide, among other things, that (i) all items of payment deposited in such Cash Management Account and proceeds thereof are held by such Cash Management Bank as agent or bailee-in-possession for Collateral Agent, (ii) the Cash Management Bank has no rights of setoff or recoupment or any other claim against the applicable Cash Management Account, other than for payment of its service fees and other charges directly related to the administration of such Cash Management Account and for returned checks or other items of payment, and (iii) except as provided in Section 2.7(f) below, it immediately will forward by daily sweep all amounts in the applicable Cash Management Account to the Agent's Account.

(c) So long as no Default or Event of Default has occurred and is continuing, Administrative Borrower may amend Schedule 2.7(a) to add or replace a Cash Management Bank or Cash Management Account; provided, however, that (i) such prospective Cash Management Bank shall be satisfactory to Agent and Agent shall have consented in writing

in advance to the opening of such Cash Management Account with the prospective Cash Management Bank, and (ii) prior to the time of the opening of such Cash Management Account, a Borrower or a Subsidiary of a Borrower, as applicable, and such prospective Cash Management Bank shall have executed and delivered to Agent a Cash Management Agreement. A Borrower or a Subsidiary of a Borrower, as applicable shall close any of their Cash Management Accounts (and establish replacement cash management accounts in accordance with the foregoing sentence) promptly and in any event within 30 days of notice from Agent that the creditworthiness of any Cash Management Bank is no longer acceptable in Agent's

Permitted Discretion, or as promptly as practicable and in any event within 60 days of notice from Agent that the operating performance, funds transfer, or availability procedures or performance of the Cash Management Bank with respect to Cash Management Accounts or Agent's liability under any Cash Management Agreement with such Cash Management Bank is no longer acceptable in Agent's Permitted Discretion.

(d) The Cash Management Accounts shall be cash collateral accounts, with all cash, checks and similar items of payment in such accounts securing payment of the Obligations, and in which Borrowers hereby grant a Lien to Collateral Agent.

(e) Each of Canadian Guarantors shall (i) establish and maintain one or more depository accounts, under the dominion and control of Collateral Agent pursuant to a Control Agreement among Collateral Agent, such Canadian Guarantor, and the applicable Canadian financial institution, in form and substance satisfactory to Agent, in respect of its Collections and (ii) instruct all of its Account Debtors to remit all such Collections to such depository accounts. Each of the Canadian Guarantors shall at all times deposit all Collections into such accounts that are received by it from any source promptly, and in any event no later than the first Business Day, after the date of receipt thereof.

(f) So long as no Event of Default shall have occurred and be continuing, each Canadian Guarantor may use the funds on deposit in its foreign bank accounts for its working capital purposes. During the continuance of an Event of Default, Collateral Agent shall have the right to convert all non-Dollar denominated balances in each Canadian Guarantor's foreign bank accounts into Dollars (at Borrowers' sole expense) and cause all amounts in such accounts to be wired into a DDA or other account subject to a Control Agreement and then wired from such DDA to a Cash Management Account. The arrangements contemplated in Section 2.7(e) and this Section 2.7(f) shall not be modified by any Loan Party without the prior written consent of Agent.

2.8. CREDITING PAYMENTS; FLOAT CHARGE. The receipt of any payment item by Agent (whether from transfers to Agent by the Cash Management Banks pursuant to the Cash Management Agreements or otherwise) shall not be considered a payment on account unless such payment item is a wire transfer of immediately available federal funds made to the Agent's Account or unless and until such payment item is honored when presented for payment. Should any payment item not be honored when presented for payment, then Borrowers shall be deemed not to have made such payment and interest shall be calculated accordingly. Anything to the contrary contained herein notwithstanding, any payment item shall be deemed received by Agent only if it is received into the Agent's Account on a Business Day on or before 11:00 a.m. (California time). If any payment item is received into the Agent's Account on a non-Business

Day or after 11:00 a.m. (California time) on a Business Day, it shall be deemed to have been received by Agent as of the opening of business on the immediately following Business Day. From and after the Closing Date, Agent shall be entitled to charge Borrowers for one (1) Business Day of 'clearance' or 'float' at the rate then applicable under Section 2.6 to Advances that are Base Rate Loans on all Collections that are received by Borrowers and their Subsidiaries (regardless of whether forwarded by the Cash Management Banks to Agent). This across-the-board one (1) Business Day clearance or float charge on all Collections of Borrowers and their Subsidiaries is acknowledged by the parties to constitute an integral aspect of the pricing of the financing of Borrowers and shall apply irrespective of whether or not there are any outstanding monetary Obligations; the effect of such clearance or float charge being the equivalent of charging interest on such Collections through the completion of a period ending one (1) Business Day after the receipt thereof. The parties acknowledge and agree that the economic benefit of the foregoing provisions of this Section 2.8 shall be for the exclusive benefit of Agent.

2.9. DESIGNATED ACCOUNT. Agent is authorized to make the Advances, and Issuing Lender is authorized to issue the Letters of Credit, under this Agreement based upon telephonic or other instructions received from anyone purporting to be an Authorized Person, or without instructions if pursuant to Section 2.6(d). Administrative Borrower agrees to establish and maintain the Designated Account with the Designated Account Bank for the purpose of receiving the proceeds of the Advances requested by Borrowers and made by Agent or the Lenders hereunder. Unless otherwise agreed by Agent and Administrative Borrower, any Advance, Agent Advance, or Swing Loan requested by Borrowers and made by Agent or the Lenders hereunder shall be made to the Designated Account.

2.10. MAINTENANCE OF LOAN ACCOUNT; STATEMENTS OF OBLIGATIONS. Agent shall maintain an account on its books in the name of Borrowers (the "Loan Account") on which Borrowers will be charged with all Advances (including Agent Advances and Swing Loans) made by Agent, Swing Lender, or the Lenders to Borrowers or for Borrowers' account, the Letters of Credit issued by Issuing Lender for Borrowers' account, and with all other payment Obligations hereunder or under the other Loan Documents (except for Bank Product Obligations), including, accrued interest, fees and expenses, and Lender Group Expenses. In accordance with Section 2.8, the Loan Account will be credited with all payments received by Agent from Borrowers or for Borrowers' account, including all amounts received in the Agent's Account from any Cash Management Bank. Agent shall render statements regarding the Loan Account to Administrative Borrower, including principal, interest, fees, and including an itemization of all charges and expenses constituting Lender Group Expenses owing, and such statements, absent manifest error, shall be conclusively presumed to be correct and accurate and constitute an account stated between Borrowers and the Lender Group unless, within 30 days after receipt thereof by Administrative Borrower, Administrative Borrower shall deliver to Agent written objection thereto describing the error or errors contained in any such statements.

2.11. FEES. Borrowers shall pay to Agent the following fees and charges, which fees and charges shall be non-refundable when paid (irrespective

of whether this Agreement is terminated thereafter) and shall be apportioned among the Lenders in accordance with the terms of letter agreements between Agent and individual Lenders:

(a) UNUSED LINE FEE. On the first day of each month during the term of this Agreement, an unused line fee in the amount equal to 0.25% per annum times the result of (i) the Maximum Revolver Amount, less (ii) the sum of (A) the average Daily Balance of Advances that were outstanding during the immediately preceding month, plus (B) the average Daily Balance of the Letter of Credit Usage during the immediately preceding month,

(b) FEE LETTER FEES. As and when due and payable under the terms of the Fee Letter, the fees set forth in the Fee Letter, and

(c) AUDIT, APPRAISAL, AND VALUATION CHARGES. Audit, appraisal, and valuation fees and charges as follows (i) a fee of $800 per day, per auditor, plus out-of-pocket expenses for each financial audit of Borrower performed by personnel employed by Agent, (ii) out-of-pocket expenses for the establishment of electronic collateral reporting systems, (iii) out-of-pocket expenses, for each appraisal of the Collateral, or any portion thereof, performed by personnel employed by Agent, and (iv) the actual charges paid or incurred by Agent if it elects to employ the services of one or more third Persons to perform financial audits of Borrowers or their Subsidiaries, to establish electronic collateral reporting systems, to appraise the Collateral, or any portion thereof, or to assess Borrowers' and their Subsidiaries' business valuation, provided that, in the absence of a continuing Event of Default, the Borrowers shall not be required to pay for more than (i) four (or, in the event that the average Daily Balance of Advances that were outstanding during the immediately preceding twelve-month period, plus the average Daily Balance of the Letter of Credit Usage during such period, is less than $30,000,000, two) financial audits of the Loan Parties in any Fiscal Year of the Parent, and (ii) such number of Inventory appraisals as required pursuant to Section 6.2 hereof.

2.12. LETTERS OF CREDIT.

(a) Subject to the terms and conditions of this Agreement, the Issuing Lender agrees to issue letters of credit for the account of Borrowers (each, an "L/C") or to purchase participations or execute indemnities or reimbursement obligations (each such undertaking, an "L/C Undertaking") with respect to letters of credit issued by an Underlying Issuer (as of the Closing Date, the prospective Underlying Issuer is to be Wells Fargo) for the account of Borrowers. To request the issuance of an L/C or an L/C Undertaking (or the amendment, renewal, or extension of an outstanding L/C or L/C Undertaking), Administrative Borrower shall hand deliver or telecopy (or transmit by electronic communication, if arrangements for doing so have been approved by the Issuing Lender) to the Issuing Lender and Agent (reasonably in advance of the

requested date of issuance, amendment, renewal, or extension) a notice requesting the issuance of an L/C or L/C Undertaking, or identifying the L/C or L/C Undertaking to be amended, renewed, or extended, the date of issuance, amendment, renewal, or extension, the date on which such L/C or L/C Undertaking is to expire, the amount of such L/C or L/C Undertaking, the name and address of the beneficiary thereof (or of the Underlying Letter of Credit, as applicable), and such other information as shall be necessary to prepare, amend, renew, or extend such L/C or L/C Undertaking. If requested by the Issuing Lender, Borrowers also shall be an applicant under the application with respect to any Underlying Letter of Credit that is to be the subject of an L/C Undertaking. The Issuing Lender shall have no obligation to issue a Letter of Credit if any of the following would result after giving effect to the requested Letter of Credit:

(i) the Letter of Credit Usage would exceed the Borrowing Base less the then extant amount of outstanding Advances, or

(ii) the Letter of Credit Usage would exceed $25,000,000, or

(iii) the Letter of Credit Usage would exceed the Maximum Revolver Amount less the then extant amount of outstanding Advances.

Borrowers and the Lender Group acknowledge and agree that certain Underlying Letters of Credit may be issued to support letters of credit that already are outstanding as of the Closing Date, including any such letters of credit issued pursuant to the GECC Loan Agreement. Each Letter of Credit (and corresponding Underlying Letter of Credit) shall be in form and substance acceptable to the Issuing Lender (in the exercise of its Permitted Discretion), including the requirement that the amounts payable thereunder must be payable in Dollars. If Issuing Lender is obligated to advance funds under a Letter of Credit, Borrowers immediately shall reimburse such L/C Disbursement to Issuing Lender by paying to Agent an amount equal to such L/C Disbursement not later than 11:00 a.m., California time, on the date that such L/C Disbursement is made, if Administrative Borrower shall have received written or telephonic notice of such L/C Disbursement prior to 10:00 a.m., California time, on such date, or, if such notice has not been received by Administrative Borrower prior to such time on such date, then not later than 11:00 a.m., California time, on (i) the Business Day that Administrative Borrower receives such notice, if such notice is received prior to 10:00 a.m., California time, on the date of receipt, and, in the absence of such reimbursement, the L/C Disbursement immediately and automatically shall be deemed to be an Advance hereunder and, thereafter, shall bear interest at the rate then applicable to Advances that are Base Rate Loans under Section 2.6. To the extent an L/C Disbursement is deemed to be an Advance hereunder, Borrowers' obligation to reimburse such L/C Disbursement shall be discharged and replaced by the resulting Advance. Promptly following receipt by Agent of any payment from Borrowers pursuant to this paragraph, Agent shall

distribute such payment to the Issuing Lender or, to the extent that Lenders have made payments pursuant to Section 2.12(c) to reimburse the Issuing Lender, then to such Lenders and the Issuing Lender as their interest may appear.

(b) Promptly following receipt of a notice of L/C Disbursement pursuant to Section 2.12(a), each Lender with a Revolver Commitment agrees to fund its Pro Rata Share of any Advance deemed made pursuant to the foregoing subsection on the same terms and conditions as if Borrowers had requested such Advance and Agent shall promptly pay to Issuing Lender the amounts so received by it from the Lenders. By the issuance of a Letter of Credit (or an amendment to a Letter of Credit increasing the amount thereof) and without any further action on the part of the Issuing Lender or the Lenders with Revolver Commitment, the Issuing Lender shall be deemed to have granted to each Lender with a Revolver Commitment, and each Lender with a Revolver Commitment shall be deemed to have purchased, a participation in each Letter of Credit, in an amount equal to its Pro Rata Share of the Risk Participation Liability of such Letter of Credit, and each such Lender agrees to pay to Agent, for the account of the Issuing Lender, such Lender's Pro Rata Share of any payments made by the Issuing Lender under such Letter of Credit. In consideration and in furtherance of the foregoing, each Lender with a Revolver Commitment hereby absolutely and unconditionally agrees to pay to Agent, for the account of the Issuing Lender, such Lender's Pro Rata Share of each L/C Disbursement made by

the Issuing Lender and not reimbursed by Borrowers on the date due as provided in clause (a) of this Section, or of any reimbursement payment required to be refunded to Borrowers for any reason. Each Lender with a Revolver Commitment acknowledges and agrees that its obligation to deliver to Agent, for the account of the Issuing Lender, an amount equal to its respective Pro Rata Share of each L/C Disbursement made by the Issuing Lender pursuant to this Section 2.12(b) shall be absolute and unconditional and such remittance shall be made notwithstanding the occurrence or continuation of an Event of Default or Default or the failure to satisfy any condition set forth in Section 3 hereof. If any such Lender fails to make available to Agent the amount of such Lender's Pro Rata Share of each L/C Disbursement made by the Issuing Lender in respect of such Letter of Credit as provided in this Section, such Lender shall be deemed to be a Defaulting Lender and Agent (for the account of the Issuing Lender) shall be entitled to recover such amount on demand from such Lender together with interest thereon at the Defaulting Lender Rate until paid in full.

(c) Each Borrower hereby agrees to indemnify, save, defend, and hold the Lender Group harmless from any loss, cost, expense, or liability, and reasonable attorneys fees incurred by the Lender Group arising out of or in connection with any Letter of Credit; provided, however, that no Borrower shall be obligated hereunder to indemnify for any loss, cost, expense, or liability to the extent that it is caused by the gross negligence or willful misconduct of the Issuing Lender or any other member of the Lender Group. Each Borrower agrees

to be bound by the Underlying Issuer's regulations and interpretations of any Underlying Letter of Credit or by Issuing Lender's interpretations of any L/C issued by Issuing Lender to or for such Borrower's account, even though this interpretation may be different from such Borrower's own, and each Borrower understands and agrees that the Lender Group shall not be liable for any error, negligence, or mistake, whether of omission or commission, in following Borrowers' instructions or those contained in the Letter of Credit or any modifications, amendments, or supplements thereto. Each Borrower understands that the L/C Undertakings may require Issuing Lender to indemnify the Underlying Issuer for certain costs or liabilities arising out of claims by Borrowers against such Underlying Issuer. Each Borrower hereby agrees to indemnify, save, defend, and hold the Lender Group harmless with respect to any loss, cost, expense (including reasonable attorneys fees), or liability incurred by the Lender Group under any L/C Undertaking as a result of the Lender Group's indemnification of any Underlying Issuer; provided, however, that no Borrower shall be obligated hereunder to indemnify for any loss, cost, expense, or liability to the extent that it is caused by the gross negligence or willful misconduct of the Issuing Lender or any other member of the Lender Group.

(d) Each Borrower hereby authorizes and directs any Underlying Issuer to deliver to the Issuing Lender all instruments, documents, and other writings and property received by such Underlying Issuer pursuant to such Underlying Letter of Credit and to accept and rely upon the Issuing Lender's instructions with respect to all matters arising in connection with such Underlying Letter of Credit and the related application.

(e) Any and all charges, commissions, fees, and costs incurred by the Issuing Lender relating to Underlying Letters of Credit shall be Lender Group Expenses for purposes of this Agreement and immediately shall be reimbursable by Borrowers to Agent for the account of the Issuing Lender; it being acknowledged and agreed by each Borrower that, as of the Closing Date, the usage charge imposed by the prospective Underlying Issuer is .825% per

annum times the face amount of each Underlying Letter of Credit, that such issuance charge may be changed from time to time, and that the Underlying Issuer also imposes a schedule of charges for amendments, extensions, drawings, and renewals.

(f) If by reason of (i) any change after the Closing Date in any applicable law, treaty, rule, or regulation or any change in the interpretation or application thereof by any Governmental Authority, or (ii) compliance by the Underlying Issuer or the Lender Group with any direction, request, or requirement (irrespective of whether having the force of law) of any Governmental Authority or monetary authority including, Regulation D of the Federal Reserve Board as from time to time in effect (and any successor thereto):

(i) any reserve, deposit, or similar requirement is or shall be imposed or modified in respect of any Letter of Credit issued hereunder, or

(ii) there shall be imposed on the Underlying Issuer or the Lender Group any other condition regarding any Underlying Letter of Credit or any Letter of Credit issued pursuant hereto;

and the result of the foregoing is to increase, directly or indirectly, the cost to the Lender Group of issuing, making, guaranteeing, or maintaining any Letter of Credit or to reduce the amount receivable in respect thereof by the Lender Group, then, and in any such case, Agent may, at any time within a reasonable period after the additional cost is incurred or the amount received is reduced, notify Administrative Borrower, and Borrowers shall pay on demand such amounts as Agent may specify to be necessary to compensate the Lender Group for such additional cost or reduced receipt, together with interest on such amount from the date of such demand until payment in full thereof at the rate then applicable to Base Rate Loans hereunder. The determination by Agent of any amount due pursuant to this Section, as set forth in a certificate setting forth the calculation thereof in reasonable detail, shall, in the absence of manifest or demonstrable error, be final and conclusive and binding on all of the parties hereto.

(g) The parties hereto acknowledge and agree that the letters of credit issued under the Existing Loan Facility and outstanding on the Closing Date shall constitute Letters of Credit issued hereunder in accordance with this Section 2.12 without any further action by any party.

2.13. LIBOR OPTION.

(a) INTEREST AND INTEREST PAYMENT DATES. In lieu of having interest charged at the rate based upon the Base Rate, Borrowers shall have the option (the "LIBOR Option") to have interest on all or a portion of the Advances be charged at a rate of interest based upon the LIBOR Rate. Interest on LIBOR Rate Loans shall be payable on the earliest of (i) the last day of the Interest Period applicable thereto, (ii) the occurrence of an Event of Default in consequence of which the Required Lenders or Agent on behalf thereof have elected to accelerate the maturity of all or any portion of the Obligations, or (iii) termination of this Agreement pursuant to the terms hereof. On the last day of each applicable Interest Period, unless Administrative Borrower properly has exercised the LIBOR Option with respect thereto, the interest rate applicable to such LIBOR Rate Loan automatically shall convert to the rate of

interest then applicable to Base Rate Loans of the same type hereunder. At any time that an Event of Default has occurred and is continuing, Borrowers no longer shall have the option to request that Advances bear interest at the LIBOR

Rate and Agent shall have the right to convert the interest rate on all outstanding LIBOR Rate Loans to the rate then applicable to Base Rate Loans hereunder at the end of the applicable Interest Period or immediately upon acceleration of such LIBOR Rate Loans.

(b) LIBOR ELECTION.

(i) Administrative Borrower may, at any time and from time to time, so long as no Event of Default has occurred and is continuing, elect to exercise the LIBOR Option by notifying Agent prior to 11:00 a.m. (California time) at least 3 Business Days prior to the commencement of the proposed Interest Period (the "LIBOR Deadline"). Notice of Administrative Borrower's election of the LIBOR Option for a permitted portion of the Advances and an Interest Period pursuant to this Section shall be made by delivery to Agent of a LIBOR Notice received by Agent before the LIBOR Deadline, or by telephonic notice received by Agent before the LIBOR Deadline (to be confirmed by delivery to Agent of a LIBOR Notice received by Agent prior to 5:00 p.m. (California time) on the same day). Promptly upon its receipt of each such LIBOR Notice, Agent shall provide a copy thereof to each of the Lenders having a Revolver Commitment.

(ii) Each LIBOR Notice shall be irrevocable and binding on Borrowers. In connection with each LIBOR Rate Loan, each Borrower shall indemnify, defend, and hold Agent and the Lenders harmless against any loss, cost, or expense incurred by Agent or any Lender as a result of (a) the payment of any principal of any LIBOR Rate Loan other than on the last day of an Interest Period applicable thereto (including as a result of acceleration upon an Event of Default), (b) the conversion of any LIBOR Rate Loan other than on the last day of the Interest Period applicable thereto, or (c) the failure to borrow, convert, continue or prepay any LIBOR Rate Loan on the date specified in any LIBOR Notice delivered pursuant hereto (such losses, costs, and expenses, collectively, "Funding Losses"). Funding Losses shall, with respect to Agent or any Lender, be deemed to equal the amount determined by Agent or such Lender to be the excess, if any, of (i) the amount of interest that would have accrued on the principal amount of such LIBOR Rate Loan had such event not occurred, at the LIBOR Rate that would have been applicable thereto, for the period from the date of such event to the last day of the then current Interest Period therefor (or, in the case of a failure to borrow, convert or continue, for the period that would have been the Interest Period therefor), minus (ii) the amount of interest that would accrue on such principal amount for such period at the interest rate which Agent or such Lender would be offered were it to be offered, at the commencement of such period, Dollar deposits of a comparable amount and period in the London interbank market. A certificate of Agent or a Lender delivered to Administrative Borrower setting forth any amount or amounts that Agent or such Lender is entitled to receive pursuant to this Section 2.13 shall be conclusive absent manifest error.

(iii) Borrowers shall have not more than 5 LIBOR Rate Loans in effect at any given time. Borrowers only may exercise the LIBOR Option for LIBOR Rate Loans of at least $1,000,000 and integral multiples of $500,000 in excess thereof.

(c) PREPAYMENTS. Borrowers may prepay LIBOR Rate Loans at any time; provided, however, that in the event that LIBOR Rate Loans are prepaid on any date that is not the last day of the Interest Period applicable thereto, including as a result of any automatic prepayment through the required application by Agent of proceeds of Borrowers' and their Subsidiaries' Collections in accordance with Section 2.4(b) or for any other reason, including early termination of the term of this Agreement or acceleration of all or any portion of the Obligations pursuant to the terms hereof, each Borrower shall indemnify, defend, and hold Agent and the Lenders and their Participants harmless against any and all Funding Losses in accordance with clause (b) above.

(d) SPECIAL PROVISIONS APPLICABLE TO LIBOR RATE.

(i) The LIBOR Rate may be adjusted by Agent with respect to any Lender on a prospective basis to take into account any additional or increased costs to such Lender of maintaining or obtaining any eurodollar deposits or increased costs due to changes in applicable law occurring subsequent to the commencement of the then applicable Interest Period, including changes in tax laws (except changes of general applicability in corporate income tax laws) and changes in the reserve requirements imposed by the Board of Governors of the Federal Reserve System (or any successor), excluding the Reserve Percentage, which additional or increased costs would increase the cost of funding loans bearing interest at the LIBOR Rate. In any such event, the affected Lender shall give Administrative Borrower and Agent notice of such a determination and adjustment and Agent promptly shall transmit the notice to each other Lender and, upon its receipt of the notice from the affected Lender, Administrative Borrower may, by notice to such affected Lender (y) require such Lender to furnish to Administrative Borrower a statement setting forth the basis for adjusting such LIBOR Rate and the method for determining the amount of such adjustment, or (z) repay the LIBOR Rate Loans with respect to which such adjustment is made (together with any amounts due under clause (b)(ii) above).

(ii) In the event that any change in market conditions or any law, regulation, treaty, or directive, or any change therein or in the interpretation of application thereof, shall at any time after the date hereof, in the reasonable opinion of any Lender, make it unlawful or impractical for such Lender to fund or maintain LIBOR Rate Loans or to continue such funding or maintaining, or to determine or charge interest rates at the LIBOR Rate, such Lender shall give notice of such changed circumstances to Agent and Administrative Borrower and Agent promptly shall transmit the notice to each other Lender and (y) in the case of any LIBOR

Rate Loans of such Lender that are outstanding, the date specified in such Lender's notice shall be deemed to be the last day of the Interest Period of such LIBOR Rate Loans, and interest upon the LIBOR Rate Loans of such Lender thereafter shall accrue interest at the rate then applicable to Base Rate Loans, and (z) Borrowers shall not be entitled to elect the LIBOR Option until such Lender determines that it would no longer be unlawful or impractical to do so. A Lender

giving a notice pursuant to this clause (ii) may be replaced to the extent set forth in Section 2.14(b).

(e) NO REQUIREMENT OF MATCHED FUNDING. Anything to the contrary contained herein notwithstanding, neither Agent, nor any Lender, nor any of their Participants, is required actually to acquire eurodollar deposits to fund or otherwise match fund any Obligation as to which interest accrues at the LIBOR Rate. The provisions of this Section shall apply as if each Lender or its Participants had match funded any Obligation as to which interest is accruing at the LIBOR Rate by acquiring eurodollar deposits for each Interest Period in the amount of the LIBOR Rate Loans.

2.14. CAPITAL REQUIREMENTS. (a) If, after the date hereof, any Lender determines that (i) the adoption of or change in any law, rule, regulation or guideline regarding capital requirements for banks or bank holding companies, or any change in the interpretation or application thereof by any Governmental Authority charged with the administration thereof, or (ii) compliance by such Lender or its parent bank holding company with any guideline, request or directive of any such entity regarding capital adequacy (whether or not having the force of law), has the effect of reducing the return on such Lender's or such holding company's capital as a consequence of such Lender's Commitments hereunder to a level below that which such Lender or such holding company could have achieved but for such adoption, change, or compliance (taking into consideration such Lender's or such holding company's then existing policies with respect to capital adequacy and assuming the full utilization of such entity's capital) by any amount deemed by such Lender to be material, then such Lender may notify Administrative Borrower and Agent thereof. Following receipt of such notice, Borrowers agree to pay such Lender on demand the amount of such reduction of return of capital as and when such reduction is determined, payable within 90 days after presentation by such Lender of a statement in the amount and setting forth in reasonable detail such Lender's calculation thereof and the assumptions upon which such calculation was based (which statement shall be deemed true and correct absent manifest error). In determining such amount, such Lender may use any reasonable averaging and attribution methods.

(b) REPLACEMENT OF LENDER. The Borrowers shall be permitted to permanently replace any Lender that delivers a notice pursuant to Section 2.13(d)(ii) or requests reimbursement for amounts owing pursuant to Section

2.14(a) (a "Subject Lender") with one or more substitute Lenders upon at least 5 Business Days prior irrevocable notice and such replacement shall occur within 15 Business Days of the date of such notice. Any such replacement shall be subject to the terms of Section 15.2.

2.15. JOINT AND SEVERAL LIABILITY OF BORROWERS.

(a) Each Borrower is accepting joint and several liability hereunder and under the other Loan Documents in consideration of the financial accommodations to be provided by the Agent and the Lenders under this Agreement, for the mutual benefit, directly and indirectly, of each Borrower and in consideration of the undertakings of the other Borrowers to accept joint and several liability for the Obligations.

(b) Each Borrower, jointly and severally, hereby irrevocably and unconditionally accepts, not merely as a surety but also as a co-debtor, joint and several liability with the other Borrowers, with respect to the payment and performance of all of the Obligations (including, without limitation, any Obligations arising under this Section 2.15), it being the intention of the parties hereto that all the Obligations shall be the joint and several obligations of each Person composing Borrowers without preferences or distinction among them.

(c) If and to the extent that any of Borrowers shall fail to make any payment with respect to any of the Obligations as and when due or to perform any of the Obligations in accordance with the terms thereof, then in each such event the other Persons composing Borrowers will make such payment with respect to, or perform, such Obligation.

(d) The Obligations of each Person composing Borrowers under the provisions of this Section 2.15 constitute the absolute and unconditional, full recourse Obligations of each Person composing Borrowers enforceable against each such Borrower to the full extent of its properties and assets, irrespective of the validity, regularity or enforceability of this Agreement or any other circumstances whatsoever.

(e) Except as otherwise expressly provided in this Agreement, each Person composing Borrowers hereby waives notice of acceptance of its joint and several liability, notice of any Advances or Letters of Credit issued under or pursuant to this Agreement, notice of the occurrence of any Default, Event of Default, or of any demand for any payment under this Agreement, notice of any action at any time taken or omitted by Agent or Lenders under or in respect of any of the Obligations, any requirement of diligence or to mitigate damages and, generally, to the extent permitted by applicable law, all demands, notices and other formalities of every kind in connection with this Agreement (except as otherwise provided in this Agreement). Each Person composing Borrowers hereby

assents to, and waives notice of, any extension or postponement of the time for the payment of any of the Obligations, the acceptance of any payment of any of the Obligations, the acceptance of any partial payment thereon, any waiver, consent or other action or acquiescence by Agent or Lenders at any time or times in respect of any default by any Person composing Borrowers in the performance or satisfaction of any term, covenant, condition or provision of this Agreement, any and all other indulgences whatsoever by Agent or Lenders in respect of any of the Obligations, and the taking, addition, substitution or release, in whole or in part, at any time or times, of any security for any of the Obligations or the addition, substitution or release, in whole or in part, of any Person composing Borrowers. Without limiting the generality of the foregoing, each Borrower assents to any other action or delay in acting or failure to act on the part of any Agent or Lender with respect to the failure by any Person composing Borrowers to comply with any of its respective Obligations, including, without limitation, any failure strictly or diligently to assert any right or to pursue any remedy or to comply fully with applicable laws or regulations thereunder, which might, but for the provisions of this Section 2.15 afford grounds for terminating, discharging or relieving any Person composing Borrowers, in whole or in part, from any of its Obligations under this Section 2.15, it being the intention of each Person composing Borrowers that, so long as any of the Obligations hereunder remain unsatisfied, the Obligations of such Person composing Borrowers under this Section 2.15 shall not be discharged except by performance and then only to the extent of such performance. The Obligations of each Person composing Borrowers under this Section 2.15 shall not be diminished or rendered unenforceable by any winding up, reorganization,

arrangement, liquidation, reconstruction or similar proceeding with respect to any Person composing Borrowers or any Agent or Lender. The joint and several liability of the Persons composing Borrowers hereunder shall continue in full force and effect notwithstanding any absorption, merger, amalgamation or any other change whatsoever in the name, constitution or place of formation of any of the Persons composing Borrowers or any Agent or Lender.

(f) Each Person composing Borrowers represents and warrants to Agent and Lenders that such Borrower is currently informed of the financial condition of Borrowers and of all other circumstances which a diligent inquiry would reveal and which bear upon the risk of nonpayment of the Obligations. Each Person composing Borrowers further represents and warrants to Agent and Lenders that such Borrower has read and understands the terms and conditions of the Loan Documents. Each Person composing Borrowers hereby covenants that such Borrower will continue to keep informed of Borrowers' financial condition, the financial condition of other guarantors, if any, and of all other circumstances which bear upon the risk of nonpayment or nonperformance of the Obligations.

(g) Each of the Persons composing Borrowers waives all rights and defenses arising out of an election of remedies by the Agent or any Lender, even

though that election of remedies, such as a nonjudicial foreclosure with respect to security for a guaranteed obligation, has destroyed the Agent's or such Lender's rights of subrogation and reimbursement against such Borrower by the operation of Section 580(d) of the California Code of Civil Procedure or otherwise.

(h) [Intentionally Omitted.]

(i) The provisions of this Section 2.15 are made for the benefit of the Agent, the Lenders and their respective successors and assigns, and may be enforced by it or them from time to time against any or all of the Persons composing Borrowers as often as occasion therefor may arise and without requirement on the part of any such Agent, Lender, successor or assign first to marshal any of its or their claims or to exercise any of its or their rights against any of the other Persons composing Borrowers or to exhaust any remedies available to it or them against any of the other Persons composing Borrowers or to resort to any other source or means of obtaining payment of any of the Obligations hereunder or to elect any other remedy. The provisions of this Section 2.15 shall remain in effect until all of the Obligations shall have been paid in full or otherwise fully satisfied. If at any time, any payment, or any part thereof, made in respect of any of the Obligations, is rescinded or must otherwise be restored or returned by any Agent or Lender upon the insolvency, bankruptcy or reorganization of any of the Persons composing Borrowers, or otherwise, the provisions of this Section 2.15 will forthwith be reinstated in effect, as though such payment had not been made.

(j) Each of the Persons composing Borrowers hereby agrees that it will not enforce any of its rights of contribution or subrogation against the other Persons composing Borrowers with respect to any liability incurred by it hereunder or under any of the other Loan Documents, any payments made by it to the Agent or the Lenders with respect to any of the Obligations or any collateral security therefor until such time as all of the Obligations have been paid in full in cash. Any claim which any Borrower may have against any other Borrower with respect to any payments to any Agent or Lender hereunder or under any other Loan Documents

are hereby expressly made subordinate and junior in right of payment, without limitation as to any increases in the Obligations arising hereunder or thereunder, to the prior payment in full in cash of the Obligations and, in the event of any insolvency, bankruptcy, receivership, liquidation, reorganization or other similar proceeding under the laws of any jurisdiction relating to any Borrower, its debts or its assets, whether voluntary or involuntary, all such Obligations shall be paid in full in cash before any payment or distribution of any character, whether in cash, securities or other property, shall be made to any other Borrower therefor.

(k) Each of the Persons composing Borrowers hereby agrees that, after the occurrence and during the continuance of any Default or Event of Default, the payment of any amounts due with respect to the indebtedness owing by any Borrower to any other Borrower is hereby subordinated to the prior payment in full in cash of the Obligations. Each Borrower hereby agrees that after the occurrence and during the continuance of any Default or Event of Default, such Borrower will not demand, sue for or otherwise attempt to collect any indebtedness of any other Borrower owing to such Borrower until the Obligations shall have been paid in full in cash. If, notwithstanding the foregoing sentence, such Borrower shall collect, enforce or receive any amounts in respect of such indebtedness, such amounts shall be collected, enforced and received by such Borrower as trustee for the Agent, and such Borrower shall deliver any such amounts to Agent for application to the Obligations in accordance with Section 2.4(b).

3. CONDITIONS; TERM OF AGREEMENT.

3.1. CONDITIONS PRECEDENT TO THE INITIAL EXTENSION OF CREDIT. The obligation of the Lender Group (or any member thereof) to make the initial Advance (or otherwise to extend any initial credit provided for hereunder), is subject to the fulfillment, to the satisfaction of Agent, of each of the conditions precedent set forth below:

(a) the Closing Date shall occur on or before February 28, 2005;

(b) Agent shall have received (i) the UCC Filing Authorization Letter, duly executed by each of the Source Alliance Subsidiaries and (ii) confirmation from a service company utilized by Agent or its counsel that financing statements on Form UCC-1 have been duly filed against each Source Alliance Subsidiary in such office or offices as may be necessary or, in the opinion of the Collateral Agent, desirable to perfect the security interests purported to be created by the Security Agreement and the Pledge Agreement; Collateral Agent is also authorized to file additional UCC-1 Financing Statement for each Existing Loan Party;

(c) Agent shall have received each of the following documents (or if so provided in this subsection (c), the Borrowers shall have used commercially reasonable efforts to provide the following documents to Agent on or prior to the Closing Date), in form and substance satisfactory to Agent, duly executed, and each such document shall be in full force and effect:

(i) the Loan Parties shall use commercially reasonable efforts to deliver to the Agent on or prior to the Closing Date a Cash Management Agreement with respect to each Cash Management Account owned by the Loan Parties not otherwise subject to a Cash Management Agreement,

(ii) the Loan Parties shall use commercially reasonable efforts to deliver to the Agent on or prior to the Closing Date a Control Agreement with respect to each Securities Account and Deposit Account owned by the Loan Parties not otherwise subject to a Control Agreement,

(iii) a Copyright Security Agreement for each Loan Party that owns any registered copyrights or applications therefor, to the extent not already subject to a Copyright Security Agreement in favor of Collateral Agent,

(iv) the Disbursement Letter,

(v) the Perfection Certificate,

(vi) the Fee Letter,

(vii) to the extent not previously delivered, the Canadian Documents, together with (A) all certificates representing the shares of Stock pledged thereunder, as well as Stock powers with respect thereto endorsed in blank, and (B) all promissory notes pledged thereunder, as well as allonges thereto or other appropriate transfer certificates endorsed in blank,

(viii) [Intentionally Omitted]

(ix) the Intercompany Subordination Agreement,

(x) the Borrowers shall use commercially reasonable efforts to deliver to Collateral Agent on or prior to the Closing Date a Vendor Intercreditor Agreement, duly executed by each Vendor having a Lien on any of the Collateral,

(xi) a consent, in form and substance reasonably satisfactory to Agent, executed by SunTrust Bank under the SunTrust Real Estate Loan Agreement, pursuant to which SunTrust Bank has consented to the Alliance Merger and the Indebtedness under this Agreement,

(xii) a Patent Security Agreement for each Loan Party that owns any registered Patents or applications therefor, to the extent not already subject to a Patent Security Agreement,

(xiii) the Pay-Off Letter, together with UCC termination statements and other documentation evidencing the termination by the GECC Agent of its Liens in and to the properties and assets of Alliance and its Subsidiaries (or written authorization of the GECC Agent for the Collateral Agent to file such UCC termination statements),

(xiv) the Pledge Agreement, together with (i) all certificates representing the shares of Stock pledged thereunder (to the extent not previously delivered to Collateral Agent), as well as Stock powers with

respect thereto endorsed in blank, and (ii) all promissory notes pledged thereunder, together with an allonge for each promissory note (or the written agreement of the GECC Agent to deliver such Stock certificates and

promissory notes to the Collateral Agent within three Business Days of the Closing Date, subject to such other terms and conditions as the Collateral Agent may reasonably require),

(xv) a Trademark Security Agreement for each Loan Party that owns any registered trademarks or applications therefor, to the extent not already subject to a Trademark Security Agreement,

(xvi) the Security Agreement, and

(xvii) the Contribution Agreement.

(d) Agent shall have received (i) a certificate from the Secretary of each Borrower attesting to the resolutions of such Borrower's Board of Directors authorizing its execution, delivery, and performance of this Agreement and the other Loan Documents to which such Borrower is a party and authorizing specific officers of such Borrower to execute the same and (ii) a certificate from the Secretary of the Parent certifying as to the officers authorized to deliver Compliance Certificates;

(e) Agent shall have received (i) copies of each Borrower's Governing Documents, as amended, modified, or supplemented to the Closing Date, certified by the Secretary of such Borrower, or (ii) in the case of an Existing Loan Party, a certification from such Secretary that such Governing Documents have not been amended, supplemented or otherwise modified since October 30, 2003;

(f) Agent shall have received a certificate from the Secretary of each Guarantor attesting to the resolutions of such Guarantor's Board of Directors authorizing its execution, delivery, and performance of the Loan Documents to which such Guarantor is a party and authorizing specific officers of such Guarantor to execute the same;

(g) Agent shall have received (i) copies of each Guarantor's Governing Documents, as amended, modified, or supplemented to the Closing Date, certified by the Secretary of such Guarantor, or (ii) a certification from such Secretary that such Governing Documents have not been amended, supplemented or otherwise modified since October 30, 2003;

(h) Collateral Agent shall have received a certificate of insurance, together with the endorsements thereto, as are required by Section 6.8, the form and substance of which shall be satisfactory to Agent;

(i) Borrowers shall use commercially reasonable efforts to deliver to Collateral Agent on or prior to the Closing Date, to the extent not previously delivered, Collateral Access Agreements with respect to the Leased Real Property set forth in Schedule L-1 and the Mortgaged Real Property set forth in Schedule M-1, except to the extent Agent has established a Rent Reserve or Mortgage Reserve against the Borrowing Base for such Leased Real Property location or Mortgaged Real Property location (as applicable);

(j) Agent shall have received opinions of Borrowers' and Guarantors' primary outside counsel and in-house counsel in form and substance satisfactory to Agent, including, without limitations, as to the effectiveness of the Alliance Merger and the Reincorporation Merger, and the Borrowers shall use commercially reasonable efforts to provide opinions for such local counsel of the Loan Parties as Agent may reasonably request;

(k) Agent shall have received a certificate of the chief financial officer of Parent that all tax returns required to be filed by Borrowers and their Subsidiaries have been timely filed and all taxes upon Borrowers and their Subsidiaries or their properties, assets, income, and franchises (including Real Property taxes, sales taxes, payroll taxes and excise taxes) have been paid prior to delinquency, except such taxes that are the subject of a Permitted Protest or otherwise permitted to remain unpaid under Section 6.7;

(l) Borrowers shall use commercially reasonable efforts to provide to Agent such documentation and other information as Agent may reasonably request in connection with its business, legal, and collateral due diligence, including a site-visit appraisal of the Eligible Inventory performed by an Acceptable Appraiser as of a recent date;

(m) Agent shall have received Borrowers' Closing Date Business Plan;

(n) Borrowers shall have paid all Lender Group Expenses incurred in connection with the transactions evidenced by this Agreement;

(o) Agent shall have received copies of the most recent phase-I environmental report previously prepared for any Owned Real Property;

(p) Borrowers and each of their Subsidiaries shall have received all licenses, approvals or evidence of other actions required by any Governmental Authority in connection with the execution and delivery by Borrowers or their Subsidiaries of the Loan Documents or with the consummation of the transactions contemplated thereby;

(q) Agent shall have received copies of each of the Material Contracts identified on Schedule 3.1(q), together with a certificate of an Authorized Officer of Parent certifying each such document as being a true, correct, and complete copy thereof.

(r) The Alliance Merger, including all of the terms and conditions thereof, shall have been duly authorized by the Board of Directors and (if required by applicable law) the shareholders or members of the parties to the Alliance Merger Agreement, and all Alliance Merger Documents shall have been duly executed and delivered by the parties thereto and shall be in full force and effect in all respects on and as of the Closing Date; the representations and warranties made by Alliance and the applicable Loan Parties set forth in the Alliance Merger Documents shall be true and correct in all material respects as if made on and as of the Closing Date; each of the material conditions precedent to the obligations of each of the parties to the Alliance Merger Documents to consummate the Alliance Merger as set forth in the Alliance Merger Documents shall have been satisfied in all material respects or waived with the consent of Agent (which consent shall not be unreasonably withheld or delayed) and the Alliance Merger shall be consummated contemporaneously herewith in accordance with any applicable law (including the expiration or termination of any applicable waiting period under the Hart-Scott-

Rodino Act) and the Alliance Merger Documents; and Agent shall have received evidence satisfactory to it as to the foregoing, as to the receipt by all parties to the Alliance Merger Documents of all necessary regulatory, creditor, lessor, and other third-party approvals, and as to compliance with any applicable law to any of such parties.

(s) The Reincorporation Merger, including all of the terms and conditions thereof, shall have been duly authorized by the Board of Directors and (if required by applicable law) the shareholders or members of the parties to the Reincorporation Documents and all Reincorporation Documents shall have been duly executed and delivered by the parties thereto and shall be in full force and effect in all respects on and as of the Closing Date; the representations and warranties made by the applicable Loan Parties and Source Missouri set forth in the Reincorporation Documents shall be true and correct in all material respects as if made on and as of the Closing Date; each of the material conditions precedent to the obligations of each of the parties to the Reincorporation Documents to consummate the Reincorporation Transaction as set forth in the Reincorporation Documents shall have been satisfied in all material respects or waived with the consent of Agent (which consent shall not be unreasonably withheld or delayed) and the Reincorporation Merger shall be consummated contemporaneously herewith in accordance with any applicable law and the Reincorporation Documents; and Agent shall have received evidence satisfactory to it as to the foregoing, as to the receipt by all parties to the Reincorporation Documents of all necessary regulatory, creditor, lessor, and

other third-party approvals, and as to compliance with any applicable law to any of such parties;

(t) Agent shall have received (i) a true and correct copy of the Merger Certificates filed in the State of Delaware with respect to the Alliance Merger and the Reincorporation Merger, each certified as of the Closing Date by the Secretary of State of the State of Delaware, and (ii) when available, a true and correct copy of the Articles of Merger filed in the State of Missouri with respect to the Reincorporation Merger, certified as effective as of the Closing Date by the Secretary of State of the State of Missouri;

(u) no injunction, writ, restraining order, or other order of any nature restricting or prohibiting, directly or indirectly, the consummation of the Alliance Merger or the Reincorporation Merger shall have been issued and remain in force by any Governmental Authority against any Loan Party, Alliance or Source Missouri, nor shall any proceeding have been commenced seeking to obtain the same;

(v) the Loan Parties shall have executed Agent's standard form authorizing Agent to publish a tombstone advertisement with respect to this transaction; and

(w) all other documents and legal matters in connection with the transactions contemplated by this Agreement and the other Transaction Documents shall have been delivered, executed, or recorded and shall be in form and substance satisfactory to Agent in its Permitted Discretion.

3.2. CONDITIONS SUBSEQUENT TO THE INITIAL EXTENSION OF CREDIT. The obligation of the Lender Group (or any member thereof) to continue to make Advances (or otherwise extend credit hereunder) is subject to the fulfillment, on or before the date applicable

thereto, of each of the conditions subsequent set forth below (the failure by Borrowers to so perform or cause to be performed constituting an Event of Default):

(a) To the extent not delivered on or prior to the Closing Date, within 60 days of the Closing Date, deliver to the Agent each of the items described in Section 3.1(c)(i), (c)(ii), (c)(x) and Section 3.1(i).

(b) To the extent not delivered on or prior to the Closing Date, within 30 days of the Closing Date, deliver to the Agent, each of the items described in Section 3.1(j) and 3.1(l).

(c) Within 60 days of the Closing Date, Agent shall have received the results of litigation searches with respect to the Loan Parties specified in

Schedule L-2 for the jurisdictions specified in such Schedule.

(d) Within 30 days of the Closing Date, Source Alliance and its Subsidiaries and Source Home shall have implemented the electronic reporting system described in Section 6.2.

(e) Within 90 days of the Closing Date, Parent and its Subsidiaries (other than Source Alliance and its Subsidiaries and Source Home) shall have implemented the electronic reporting system described in Section 6.2.

(f) Within 15 days of the Closing Date, Agent shall have received (i) evidence that the financing statements referred to in clause (ii) of Section 3.1(b) are of record and in effect, (ii) evidence that the financing statements on Form UCC-1 previously filed against Parent, Source Alliance, Source Home and the other Existing Loan Parties remain of record and in effect, and (iv) the results of its UCC, PPSA, judgment and tax lien searches, which searches shall not have revealed any Liens on the assets or properties of the Loan Parties other than Permitted Liens and Liens terminated on the Closing Date.

(g) Within 15 days of the Closing Date, Agent shall have received a certificate of status with respect to each Borrower, dated as of a date acceptable to Agent, such certificate to be issued by the appropriate officer of the jurisdiction of organization of such Borrower, which certificate shall indicate that such Borrower is in good standing in such jurisdiction.

(h) Within 15 days of the Closing Date, Agent shall have received certificates of status with respect to each Borrower, each dated as of a date acceptable to Agent, such certificates to be issued by the appropriate officer of the jurisdictions (other than the jurisdiction of organization of such Borrower) in which its failure to be duly qualified or licensed would constitute a Material Adverse Change, which certificates shall indicate that such Borrower is in good standing in such jurisdictions.

(i) Within 15 days of the Closing Date, Agent shall have received a certificate of status with respect to each Guarantor, dated as of a date acceptable to Agent, such certificate to be issued by the appropriate officer of the jurisdiction of organization of such

Guarantor, which certificate shall indicate that such Guarantor is in good standing in such jurisdiction.

(j) Within 15 days of the Closing Date, Agent shall have received certificates of status with respect to each Guarantor, each dated as of a date acceptable to Agent, such certificates to be issued by the appropriate officer of the jurisdictions (other than the jurisdiction of organization of such Guarantor) in which its failure to be duly qualified or licensed would

constitute a Material Adverse Change, which certificates shall indicate that such Guarantor is in good standing in such jurisdictions.

(k) Within 30 days of the Closing Date, Agent shall have received copies of each of (A) the existing collective bargaining agreements, and (B) any Material Contracts described in clause (a) of the definition of "Material Contracts" and reasonably requested by Agent or its counsel, to the extent not previously delivered, together with a certificate of the Secretary of Parent certifying each such document as being a true, correct, and complete copy thereof.

(l) Within 30 days of the Closing Date, Agent shall have received an officer's certificate of an Authorized Officer of each applicable Loan Party, certifying that (i) attached thereto is a schedule of all Vendors as of the Closing Date, and (ii) as to each such Vendor which has a Lien on any Inventory which is included or proposed to be included in the Borrowing Base as Eligible Inventory, that (A) attached thereto are true, correct and complete copies of all applicable Vendor Agreements between such Loan Party and such Vendor, and (B) all such Vendor Agreements are in full force and effect, and Agent shall have received a Vendor Intercreditor Agreement, duly executed by such Vendor.

(m) Use reasonable commercial efforts to cause SunTrust Leasing Corporation to enter into an intercreditor agreement with the Collateral Agent within 60 days after the Closing Date, pursuant to which Collateral Agent shall be entitled to a second priority Lien on any equipment of AEC One Stop subject to a first priority Lien in favor of SunTrust Leasing Corporation, in form and substance reasonably satisfactory to Agent.

(n) On or prior to March 21, 2005, deliver to Agent a pro forma consolidated unaudited balance sheet of Parent and its Subsidiaries as of the Closing Date, after giving effect to the Transactions to occur on the Closing Date.

3.3. CONDITIONS PRECEDENT TO ALL EXTENSIONS OF CREDIT. The obligation of the Lender Group (or any member thereof) to make any Advances hereunder at any time (or to extend any other credit hereunder) shall be subject to the following conditions precedent:

(a) the representations and warranties contained in this Agreement and the other Loan Documents shall be true and correct in all material respects on and as of the date of such extension of credit, as though made on and as of such date (except to the extent that such representations and warranties relate solely to an earlier date);

(b) no Default or Event of Default shall have occurred and be continuing on the date of such extension of credit, nor shall either result from the making thereof;

(c) no injunction, writ, restraining order, or other order of any nature restricting or prohibiting, directly or indirectly, the extending of such credit shall have been issued and remain in force by any Governmental Authority against any Borrower, Agent, any Lender, or any of their Affiliates; and

(d) no Material Adverse Change shall have occurred.

3.4. TERM. This Agreement shall become effective on the Closing Date immediately after the consummation of the Alliance Merger and the Reincorporation Merger and shall continue in full force and effect for a term ending on October 31, 2010 (the "Maturity Date"). The foregoing notwithstanding, the Lender Group, upon the election of the Required Lenders, shall have the right to terminate its obligations under this Agreement immediately and without notice upon the occurrence and during the continuation of an Event of Default.

3.5. EFFECT OF TERMINATION. On the date of termination of this Agreement, all Obligations (including contingent reimbursement obligations of Borrowers with respect to any outstanding Letters of Credit and including all Bank Products Obligations) immediately shall become due and payable without notice or demand (including (a) either (i) providing cash collateral to be held by Agent for the benefit of those Lenders with a Revolver Commitment in an amount equal to 105% of the then extant Letter of Credit Usage, or (ii) causing the original Letters of Credit to be returned to the Issuing Lender, and (b) providing cash collateral (in an amount determined by Agent as sufficient to satisfy the reasonably estimated credit exposure) to be held by Agent for the benefit of the Bank Product Providers with respect to the then extant Bank Products Obligations). No termination of this Agreement, however, shall relieve or discharge Borrowers or their Subsidiaries of their duties, Obligations, or covenants hereunder and the Collateral Agent's Liens in the Collateral shall remain in effect until all Obligations have been paid in full, except to the extent that the remaining Obligations are cash collateralized in an amount equal to 105% of such Obligations, and the Lender Group's obligations to provide additional credit hereunder have been terminated. When this Agreement has been terminated and all of the Obligations have been paid in full and the Lender Group's obligations to provide additional credit under the Loan Documents have been terminated irrevocably, Collateral Agent will, at Borrowers' sole expense, execute and deliver any UCC or PPSA termination statements, lien releases, mortgage releases, re-assignments of trademarks, discharges of security interests, and other similar discharge or release documents (and, if applicable, in recordable form) as are reasonably necessary to release, as of record, the Collateral Agent's Liens and all notices of security interests and liens previously filed by Agent with respect to the Obligations.

3.6. EARLY TERMINATION BY BORROWERS. Borrowers have the option, at any time upon 30 days prior written notice by Administrative Borrower to Agent, to terminate this Agreement by paying to Agent, in cash, the Obligations (including (a) either (i) providing cash collateral to be held by Agent for the benefit of those Lenders with a Revolver Commitment in an amount equal to 105% of the then extant Letter of Credit Usage, or (ii) causing the original Letters of Credit to be returned to the Issuing Lender, and (b) providing cash

collateral (in an amount determined by Agent as sufficient to satisfy the reasonably estimated credit exposure) to be held by Agent for the benefit of the Bank Product Providers with respect to the then extant Bank Products Obligations), in full. If Administrative Borrower has sent a notice of termination pursuant to the provisions of this Section, then the Commitments shall terminate and Borrowers

shall be obligated to repay the Obligations (including (a) either (i) providing cash collateral to be held by Agent for the benefit of those Lenders with a Revolver Commitment in an amount equal to 105% of the then extant Letter of Credit Usage, or (ii) causing the original Letters of Credit to be returned to the Issuing Lender, and (b) providing cash collateral (in an amount determined by Agent as sufficient to satisfy the reasonably estimated credit exposure) to be held by Agent for the benefit of the Bank Product Providers with respect to the then extant Bank Products Obligations), in full on the date set forth as the date of termination of this Agreement in such notice.

4. [INTENTIONALLY OMITTED.]

5. REPRESENTATIONS AND WARRANTIES.

In order to induce the Lender Group to enter into this Agreement, each Loan Party makes the following representations and warranties to the Lender Group which shall be true, correct, and complete, in all material respects, as of the date hereof, and shall be true, correct, and complete, in all material respects, as of the Closing Date, and at and as of the date of the making of each Advance (or other extension of credit) made thereafter, as though made on and as of the date of such Advance (or other extension of credit) (except to the extent that such representations and warranties relate solely to an earlier date) and such representations and warranties shall survive the execution and delivery of this Agreement:

5.1. NO ENCUMBRANCES. Each Loan Party and its Subsidiaries has good and indefeasible title to their personal property assets, free and clear of Liens except for Permitted Liens.

5.2. ELIGIBLE ACCOUNTS. The Eligible Accounts are bona fide existing payment obligations of Account Debtors created by the sale and delivery of Inventory or the rendition of services to such Account Debtors in the ordinary course of Loan Parties' business, owed to Eligible Loan Parties without any known defenses, disputes, offsets, counterclaims, or rights of return or cancellation. As to each Account that is identified by Administrative Borrower as an Eligible Account in a borrowing base report submitted to Agent, such Account is not excluded as ineligible by virtue of one or more of the excluding criteria set forth in the definition of Eligible Accounts.

5.3. BUSINESS SEGMENTS. Schedule S-1 accurately sets forth each Business Segment of the Loan Parties (after giving effect to the Alliance Merger and the Reincorporation Merger) and the Subsidiaries of Parent included in each such Business Segment as of the Closing Date.

5.4. ELIGIBLE INVENTORY. All of the Eligible Inventory is owned by an Eligible Loan Party, and each such Eligible Loan Party has good and marketable title to such Eligible Inventory, free and clear of all Liens other than Permitted Liens that are junior and subordinate to the Liens in favor of the Collateral Agent or with respect to which Agent has established reserves against the Borrowing Base. As to each item that is identified from time to time by Administrative Borrower as Eligible Inventory, such Inventory is not excluded as ineligible by virtue of one or more of the excluding criteria set forth in the definition of Eligible Inventory.

5.5. LOCATION OF INVENTORY, EQUIPMENT AND BOOKS. The Inventory, Equipment and Books of Borrowers and their Subsidiaries are located only at, or in-transit between, the locations identified on Schedule 5.5 (as such Schedule may be updated pursuant to Section 6.9), other than Inventory held on consignment by a customer, and the Equipment of the Loan Parties are not stored with a bailee, warehouseman, or similar party, except as set forth on Schedule 5.5. As of the Closing Date, Schedule L-1 sets forth each Leased Real Property location, and Schedule M-1 sets forth each Mortgaged Real Property location, in each case where any of the Loan Parties' Inventory, material Equipment or Books are maintained.

5.6. INVENTORY RECORDS. Each Loan Party keeps correct, accurate and reasonably detailed records of its and its Subsidiaries' Inventory and the book value thereof.

5.7. STATE OF INCORPORATION; LOCATION OF CHIEF EXECUTIVE OFFICE; FEIN; ORGANIZATIONAL ID NUMBER; COMMERCIAL TORT CLAIMS.

(a) The jurisdiction of organization of each Loan Party after giving effect to the Alliance Merger and the Reincorporation Merger is set forth on Schedule 5.7.

(b) The chief executive office of each Loan Party is located at the address indicated on Schedule 5.7 (as such Schedule may be updated pursuant to Section 6.9).

(c) Each Loan Party's FEIN and organizational identification number, if any, are identified on Schedule 5.7.

(d) As of the Closing Date, Loan Parties and their Subsidiaries do not hold any commercial tort claims, except as set forth on Schedule 5.7.

5.8. DUE ORGANIZATION AND QUALIFICATION; SUBSIDIARIES.

(a) Each Loan Party is duly organized and validly existing and in good standing under the laws of the jurisdiction of its organization and qualified to do business and in good standing in any state where the failure to be so qualified reasonably could be expected to have a Material Adverse Change.

(b) Set forth on Schedule 5.8(b), is a complete and accurate description of the authorized capital Stock of each Loan Party (other than Parent), by class, and, as of the Closing Date and after giving effect to the Alliance Merger and the Reincorporation Merger, a description of the number of shares of each such class that are issued and outstanding. Other than as described on Schedule 5.8(b), there are no subscriptions, options, warrants, or calls relating to any shares of each Loan Party's capital Stock (other than that of Parent), including any right of conversion or exchange under any outstanding security or other instrument. No Loan Party is subject to any obligation (contingent or otherwise) to repurchase or otherwise acquire or retire any shares of its capital Stock or any security convertible into or exchangeable for any of its capital Stock.

5.9. DUE AUTHORIZATION; NO CONFLICT.

(a) As to each Borrower, the execution, delivery, and performance by such Borrower of this Agreement, the other Loan Documents and the other Transaction Documents to which it is a party have been duly authorized by all necessary action (including, without limitation, the obtaining of any consent of stockholders or other holders of Stock required by law or by any applicable corporate or other organizational documents) on the part of such Borrower.

(b) As to each Borrower, the execution, delivery, and performance by such Borrower of this Agreement, the other Loan Documents and the other Transaction Documents to which it is a party do not and will not (i) violate any provision of federal, state, or local law or regulation applicable to any Borrower, the Governing Documents of any Borrower, or any order, judgment, or decree of any court or other Governmental Authority binding on any Borrower, (ii) conflict with, result in a breach of, or constitute (with due notice or lapse of time or both) a default under any Material Contract, (iii) result in or require the creation or imposition of any Lien of any nature whatsoever upon any properties or assets of such Borrower, other than Permitted Liens, or (iv) require any approval of any Borrower's interestholders or any approval or consent of any Person under any Material Contract of any Borrower, other than consents or approvals that have been obtained and that are still in force and effect.

(c) Other than the filing of financing statements, the filings

contemplated by the Merger Documents, the filing of a notice on form 8-K with the SEC regarding this transaction and filings with the NASDAQ in connection with the issuance of shares contemplated by the Transactions, the execution, delivery, and performance by each Borrower of this Agreement and the other Loan Documents and the other Transaction Documents to which such Borrower is a party do not and will not require any registration with, consent, or approval of, or notice to, or other action with or by, any Governmental Authority, other than consents or approvals that have been obtained and that are still in force and effect, and any applicable waiting period under applicable law (including, with respect to the Alliance Merger, the Hart-Scott-Rodino Act) has expired or been terminated in accordance with such law..

(d) As to each Borrower, this Agreement, the other Loan Documents and the other Transaction Documents to which such Borrower is a party, and all other documents contemplated hereby and thereby, when executed and delivered by such Borrower will be the legally valid and binding obligations of such Borrower, enforceable against such Borrower in accordance with their respective terms, except as enforcement may be limited by equitable principles or by bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or limiting creditors' rights generally.

(e) The Collateral Agent's Liens are validly created, perfected, and first priority Liens, subject only to Permitted Liens.

(f) The execution, delivery, and performance by each Guarantor of the Loan Documents and any other Transaction Document to which it is a party have been duly authorized by all necessary action (including, without limitation, the obtaining of any consent of

stockholders or other holders of Stock required by law or by any applicable corporate or other organizational documents) on the part of such Guarantor.

(g) The execution, delivery, and performance by each Guarantor of the Loan Documents and the other Transaction Documents to which it is a party do not and will not (i) violate any provision of federal, state, or local law or regulation applicable to such Guarantor, the Governing Documents of such Guarantor, or any order, judgment, or decree of any court or other Governmental Authority binding on such Guarantor, (ii) conflict with, result in a breach of, or constitute (with due notice or lapse of time or both) a default under any Material Contract of such Guarantor, (iii) result in or require the creation or imposition of any Lien of any nature whatsoever upon any properties or assets of such Guarantor, other than Permitted Liens, or (iv) require any approval of such Guarantor's interestholders or any approval or consent of any Person under any Material Contract of such Guarantor, other than consents or approvals that have been obtained and that are still in force and effect.

(h) Other than the filing of financing statements, the execution, delivery, and performance by each Guarantor of the Loan Documents and the other Transaction Documents to which such Guarantor is a party do not and will not require any registration with, consent, or approval of, or notice to, or other action with or by, any Governmental Authority, other than consents or approvals that have been obtained and that are still in force and effect, and any applicable waiting period under applicable law (including, with respect to the Alliance Merger, the Hart-Scott-Rodino Act) has expired or been terminated in accordance with such law..

(i) The Loan Documents and the other Transaction Documents to which each Guarantor is a party, and all other documents contemplated hereby and thereby, when executed and delivered by such Guarantor will be the legally valid and binding obligations of such Guarantor, enforceable against such Guarantor in accordance with their respective terms, except as enforcement may be limited by equitable principles or by bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or limiting creditors' rights generally.

5.10. LITIGATION. Other than those matters disclosed on Schedule 5.10, there are no actions, suits, or proceedings pending or, to the best knowledge of Borrowers, threatened against Loan Parties, or any of their Subsidiaries, as applicable, except for (a) matters that are fully covered by insurance (subject to customary deductibles), (b) matters that if decided adversely to any Loan Party could not reasonably be expected to result in liability to the Loan Parties of $2,000,000 individually or in the aggregate for all such matters, and (c) matters arising after the Closing Date that, if decided adversely to Loan Parties, or any of their Subsidiaries, as applicable, reasonably could not be expected to result in a Material Adverse Change.

5.11. NO MATERIAL ADVERSE CHANGE. All financial statements relating to Loan Parties and their Subsidiaries that have been delivered by Loan Parties to the Lender Group have been prepared in accordance with GAAP (except, in the case of unaudited financial statements, for the lack of footnotes and being subject to year-end audit adjustments) and present fairly in all material respects, Loan Parties' and their Subsidiaries' financial condition as of the date thereof and results of operations for the period then ended. There has not been a Material Adverse Change with respect to Loan Parties and their Subsidiaries since the date of the latest financial

statements submitted to the Lender Group on or before the Closing Date. The pro forma consolidated unaudited balance sheet of the Parent and its Subsidiaries as of the Closing Date, after giving effect to the Transactions to occur on the Closing Date, certified by the chief financial officer of the Parent, a copy of which has been furnished to Agent, fairly presents in all material respects the pro forma financial condition of the Parent and its Subsidiaries as at such date based, in part, upon financial information provided by Alliance. Such pro forma

consolidated balance sheet is believed by the Parent to be reasonable, has been prepared on a reasonable basis and in good faith by the Parent, and is based on assumptions believed by the Parent to be reasonable and upon the best information reasonably available to the Parent, and the Parent is not aware of any facts or information that would lead it to believe that such pro forma consolidated balance sheet is incorrect or misleading in any material respect.

5.12. FRAUDULENT TRANSFER.

(a) Before and after giving effect to the Transactions and each Advance, each Loan Party and each Subsidiary of a Borrower is Solvent.

(b) No transfer of property is being made by any Loan Party or any Subsidiary of a Loan Party and no obligation is being incurred by any Loan Party or any Subsidiary of a Loan Party in connection with the transactions contemplated by this Agreement or the other Loan Documents with the intent to hinder, delay, or defraud either present or future creditors of Loan Parties or their Subsidiaries.

5.13. EMPLOYEE BENEFITS.

(a) None of Loan Parties, any of their Subsidiaries, or any of their ERISA Affiliates maintains or contributes to any Benefit Plan.

(b) Each Loan Party, each of its Subsidiaries and each ERISA Affiliate have satisfied the minimum funding standards of ERISA and the IRC with respect to each Benefit Plan to which it is obligated to contribute.

(c) No ERISA Event has occurred nor has any other event occurred that may result in an ERISA Event that reasonably could be expected to result in a Material Adverse Change.

(d) No Loan Party or its Subsidiaries or any ERISA Affiliate is required to provide security to any Benefit Plan under Section 401(a)(29) of the IRC.

(e) No Canadian Guarantor, has, or is subject to, any present or future obligation or liability under, any pension plan, deferred compensation plan, retirement income plan, stock option or stock purchase plan, profit sharing plan, bonus plan or policy, employee group insurance plan, program policy or practice, formal or informal, with respect to its employees.

(f) All obligations regarding the Employee Plans have been satisfied, there are no outstanding defaults or violations by any part to any Employee Plan and no taxes, penalties or fees are owing or eligible under any of the Employee Plans.

(g) Each Employee Plan is fully funded or fully insured on both an ongoing and solvency basis.

(h) Except as set forth in Schedule 5.13, none of the Employee Plans provides benefits to retired employees or to the beneficiaries or dependents of retired employees.

5.14. ENVIRONMENTAL CONDITION. Except as set forth on Schedule 5.14 or in the phase-I environmental reports previously delivered to Agent, (a) to any Loan Party's knowledge, none of Loan Parties' or their Subsidiaries' properties or assets has ever been used by Loan Parties, their Subsidiaries, or by previous owners or operators in the disposal of, or to produce, store, handle, treat, release, or transport, any Hazardous Materials, where such production, storage, handling, treatment, release or transport was in violation, in any material respect, of applicable Environmental Law, (b) to any Loan Party's knowledge, none of Loan Parties' nor their Subsidiaries' properties or assets has ever been designated or identified in any manner pursuant to any environmental protection statute as a Hazardous Materials disposal site, (c) none of Loan Parties nor any of their Subsidiaries have received notice that a Lien arising under any Environmental Law has attached to any revenues or to any Real Property owned or operated by Loan Parties or their Subsidiaries, and (d) none of Loan Parties nor any of their Subsidiaries have received a summons, citation, order, notice, notice of Environmental Action, or directive from the Environmental Protection Agency or any other Governmental Authority concerning any action or omission by any Loan Party or any Subsidiary of a Loan Party resulting in the releasing or disposing of Hazardous Materials into the environment.

5.15. BROKERAGE FEES. Loan Parties and their Subsidiaries have not utilized the services of any broker or finder in connection with obtaining financing from the Lender Group under this Agreement and no brokerage commission or finders fee is payable by Loan Parties or their Subsidiaries in connection herewith.

5.16. INTELLECTUAL PROPERTY. Each Loan Party and each Subsidiary of a Loan Party owns, or holds licenses in, all trademarks, trade names, copyrights, patents, patent rights, and licenses that are necessary to the conduct of its business as currently conducted. Attached hereto as Schedule 5.16 (as updated from time to time) is a true, correct, and complete listing of all material patents, patent applications, trademarks, trademark applications, copyrights, and copyright registrations as to which each Loan Party or one of its Subsidiaries is the owner or is an exclusive licensee.

5.17. LEASES. Loan Parties and their Subsidiaries enjoy peaceful and undisturbed possession under all leases material to their business and to which they are parties or under which they are operating. All of such leases are valid and subsisting and no material default by Loan Parties or their Subsidiaries exists under any of them.

5.18. DDAS. Set forth on Schedule 5.18 are all of Loan Parties' and

their Subsidiaries' Deposit Accounts and Securities Accounts, including, with respect to each bank or securities intermediary (i) the name and address of such Person, and (ii) the account numbers of the Deposit Accounts or Securities Accounts maintained with such Person.

5.19. COMPLETE DISCLOSURE. All factual information (taken as a whole) furnished by or on behalf of Loan Parties or their Subsidiaries in writing to Agent or any Lender (including all information contained in the Schedules hereto or in the other Loan Documents) for purposes of or in connection with this Agreement, the other Loan Documents, the other Transaction Documents or any transaction contemplated herein or therein is, and all other such factual information (taken as a whole) hereafter furnished by or on behalf of Loan Parties or their Subsidiaries in writing to the Agent or any Lender will be, true and accurate in all material respects on the date as of which such information is dated or certified and not incomplete by omitting to state any fact necessary to make such information (taken as a whole) not misleading in any material respect at such time in light of the circumstances under which such information was provided. On the Closing Date, the Closing Date Business Plan represents, and as of the date on which any other Projections are delivered to Agent, such additional Projections represent Loan Parties' good faith best estimate of their and their Subsidiaries' future performance for the periods covered thereby.

5.20. INDEBTEDNESS. Set forth on Schedule 5.20 is a true and complete list of all Indebtedness of each Loan Party outstanding immediately prior to the Closing Date that, after giving effect to the Transactions to occur on the Closing Date, is to remain outstanding after the Closing Date and the aggregate principal amount of such Indebtedness as of the Closing Date.

5.21. REGULATION U. None of the Loan Parties is nor will be engaged in the business of extending credit for the purpose of purchasing or carrying margin stock (within the meaning of Regulations T, U or X of the Board of Governors of the Federal Reserve System), and no proceeds of any Advance (or other extension of credit hereunder) will be used to purchase or carry any margin stock or to extend credit to others for the purpose of purchasing or carrying any margin stock.

5.22. PERMITS, ETC. Each Loan Party has, and is in compliance with, all permits, licenses, franchises, authorizations, approvals, entitlements and accreditations required for such Person lawfully to own, lease, manage or operate, or to acquire, each business and the Real Property currently owned, leased, managed or operated, or to be acquired, by such Person except for such permits, licenses, franchises, authorizations, approvals, entitlements and accreditations the absence of which could not reasonably be expected to result in a Material Adverse Change. No condition exists or event has occurred which, in itself or with the giving of notice or lapse of time or both, would result in

the suspension, revocation, impairment, forfeiture or non-renewal of any such permit, license, franchises, authorization, approval, entitlement or accreditation, and to Loan Parties' knowledge, there is no claim that any thereof is not in full force and effect.

5.23. MATERIAL CONTRACTS. Each Material Contract set forth in Schedule 3.1(q) (i) is in full force and effect and is binding upon and enforceable against each Loan Party that is a party thereto and, to Loan Parties' knowledge, all other parties thereto in accordance with its terms, and (ii) has not been otherwise amended or modified. No Material Contract is in default due to the action of any Loan Party or, to Loan Parties' knowledge, any other party thereto, except for such defaults that could not reasonably be expected to result in a Material Adverse Change.

5.24. EMPLOYEE AND LABOR MATTERS. Except in each case where any such matter could not reasonably be expected to result in a Material Adverse Change, there is (a) no unfair labor practice complaint pending or, to Loan Parties' knowledge, threatened against any Loan Party before any Governmental Authority and no grievance or arbitration proceeding pending or threatened against any Loan Party which arises out of or under any collective bargaining agreement, (b) no strike, labor dispute, slowdown, stoppage or similar action or grievance pending or, to the best knowledge of Loan Parties, threatened against any Loan Party and (c) except for the existing unions set forth on Schedule 5.24, no union representation question existing with respect to the employees of any Loan Party and no union organizing activity taking place with respect to any of the employees of any of them. Neither any Loan Party nor any ERISA Affiliate of any Loan Party has incurred any liability or obligation under the Worker Adjustment and Retraining Notification Act ("WARN") or similar state law, which remains unpaid or unsatisfied. The hours worked and payments made to employees of each Loan Party have not been in violation of the Fair Labor Standards Act or any other applicable legal requirements. All material payments due from any Loan Party on account of workers compensation, wages and employee health and welfare insurance and other benefits have been paid or accrued as a liability on the books of such Loan Party.

5.25. CUSTOMERS AND SUPPLIERS. There exists no actual or, to Loan Parties' knowledge, threatened termination, cancellation or limitation of, or modification to or change in, the business relationship between (a) any Loan Party, on the one hand, and any customer or any group thereof, on the other hand or (b) any Loan Party, on the one hand, and any supplier thereof or distributor therefor, on the other hand, which termination, cancellation, limitation, modification or change in any such case could, individually or in the aggregate, reasonably be expected to result in a Material Adverse Change.

5.26. PAYMENTS TO EMPLOYEES AND OTHER. Each Canadian Guarantor has paid or accrued as a liability on the books of such Canadian Guarantor, all

material payments due from any Canadian Guarantor to any employee, independent contractor or Governmental Authority on account of workers' compensation, wages or other compensation and, as applicable, employee health and welfare insurance and other benefits.

5.27. WITHHOLDINGS AND REMITTANCES. Each Canadian Guarantor has withheld from each payment made to any of its present or former employees, officers and directors, and to all persons who are non-residents of Canada for the purposes of the Canadian Income Tax Act all amounts required by law to be withheld, including without limitation all payroll deductions required to be withheld, and furthermore, has remitted such withheld amounts within the prescribed periods to the appropriate Governmental Authority. Each Canadian Guarantor has remitted all Canada pension Plan contributions, provincial pension plan contributions, employment insurance premiums, employer health taxes and other taxes payable by it in respect of its employees and has remitted such amounts to the proper Governmental Authority within the time required under the applicable law.

5.28. ALLIANCE MERGER DOCUMENTS; REINCORPORATION DOCUMENTS. The Parent has delivered to the Agent a complete and correct copy of the Alliance Merger Documents and the Reincorporation Documents identified on Schedule 3.1(q), including all schedules and exhibits thereto. The Alliance Merger Documents and the Reincorporation Documents set forth

the entire agreement and understanding of the parties thereto relating to the subject matter thereof, and there are no other agreements, arrangements or understandings, written or oral, relating to the matters covered thereby. No Alliance Merger Document or Reincorporation Document has been amended or otherwise modified in any material respects without the prior written consent of the Agent, which consent shall not to be unreasonably withheld or delayed.

5.29. CONSUMMATION OF ALLIANCE MERGER AND THE REINCORPORATION MERGER; NO ADVERSE PROCEEDING. All material conditions precedent to the Alliance Merger and the Reincorporation Merger have been satisfied in all material respects or (with the prior written consent of the Agent, which consent not to be unreasonably withheld or delayed) waived, and there has been no breach of any material term or condition of any of the Alliance Merger Documents or the Reincorporation Documents. On the Closing Date, each of the Alliance Merger and the Reincorporation Merger has been consummated in accordance with the applicable Merger Documents and applicable law. No injunction, writ, restraining order, or other order of any nature restricting or prohibiting, directly or indirectly, the consummation of any of the Transactions shall have been issued and remain in force by any Governmental Authority against any Loan Party, Alliance, Source Missouri, Agent, any Lender, or any of their respective Affiliates, and no proceeding shall have been commenced by any Person seeking the same.

6. AFFIRMATIVE COVENANTS.

Each Loan Party covenants and agrees that, until termination of all of the Commitments and payment in full of the Obligations, each Loan Party shall and shall cause each of its respective Subsidiaries to do all of the following:

6.1. ACCOUNTING SYSTEM. Maintain a system of accounting that enables Loan Parties to produce financial statements in accordance with GAAP and maintain records pertaining to the Collateral that contain information as from time to time reasonably may be requested by Agent. Loan Parties also shall keep an inventory reporting system that shows all additions, sales, claims, returns, and allowances with respect to their and their Subsidiaries' Inventory.

6.2. COLLATERAL REPORTING. Provide Agent (and if so requested by Agent, with copies for each Lender) with the following documents at the following times in form satisfactory to Agent:

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Daily (a) a collection journal,

Weekly (b) a roll-forward calculation of the Borrowing Base, provided that with respect to Eligible Accounts owing by Canadian Account Debtors, such calculations may, at the option of the Administrative Borrower, be updated on only a monthly basis,
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Monthly (not later than the 15th day of each month, and provided that such reports shall be provided weekly at any time (i) Excess Availability has failed to be at least $50,000,000 for 30 consecutive days or (ii) an Event of Default has occurred and (c) a sales journal and credit register since the last such schedule, a report regarding credit memoranda that have been issued since the last such report, and a calculation of the Borrowing Base as of such date,

(d) notice of all claims, offsets, or disputes asserted by Account Debtors with respect to Loan Parties' and their Subsidiaries' Accounts,

(e) a detailed transaction register for cash, sales and credits by Business Segment,

(f) a detailed aging, by total, of the Accounts of Loan Parties, together with a reconciliation to the calculation of the Borrowing Base previously provided

is continuing)		to Agent (including detail regarding those Accounts of Loan Parties that are not Eligible Accounts), as well as a roll-forward,
	(g)	a summary aging, by vendor, of Loan Parties' and their Subsidiaries' accounts payable and any book overdraft, together with a report of accrued expenses and general ledger reconciliation,
	(h)	a summary of the Covered Inventory by location and type with a supporting perpetual Covered Inventory report, in each case accompanied by such supporting detail and documentation as shall be requested by Agent in its Permitted Discretion,
	(i)	collateral reports with respect to Loan Parties, including all additions and reductions (cash and non-cash) with respect to the Covered Inventory of Loan Parties accompanied by such supporting detail and documentation as shall be requested by Agent in its reasonable discretion,
Monthly (not later than the 15th day of each month)	(j)	the results of a desktop appraisal of Source Alliance's and its Subsidiaries' and Source Home's Inventory conducted by an Acceptable Appraiser,
	(k)	a detailed report regarding Loan Parties' and their Subsidiaries' cash and Cash Equivalents including an indication of which amounts constitute Qualified Cash,
	(l)	a calculation of Dilution, by Business Segment, for the month most recently ended and for the twelve month periods then ended,

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	(m)	a calculation of average Excess Availability for the three-month period then ended,
	(n)	a month-end gross Accounts to net Accounts report for the In-Store Services/Wire Business Segment of the Loan Parties,
	(o)	a gross receivables aging by job for the In-Store Services/Wire Business Segment of the Loan Parties,

		and
	(p)	a reconciliation of the most recent month-end Covered Inventory reports of the Loan Parties to the Loan Parties' general ledger and monthly financial statements delivered pursuant to Section 6.3, accompanied by such supporting detail and documentation as shall be requested by Agent in its Permitted Discretion;
Quarterly	(q)	a detailed list of each Loan Party's and each Subsidiary of a Loan Party's customers,
	(r)	a report regarding each Loan Party's and each Subsidiary of a Loan Party's accrued, but unpaid, ad valorem taxes, and
	(s)	a listing of all new customer or supplier contracts executed by any Loan Party during the prior quarter,
	(t)	the results of a site visit appraisal of the Inventory of Source Alliance and its Subsidiaries and of Source Home conducted by an Acceptable Appraiser,

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Upon request by Agent	(u)	copies of invoices in connection with Loan Parties' and their Subsidiaries' Accounts, credit memos, remittance advices, deposit slips, shipping and delivery documents in connection with Loan Parties' and their Subsidiaries' Accounts and, for Equipment acquired by Loan Parties or their Subsidiaries, purchase orders and invoices,
	(v)	contract reporting in respect of the Wood Manufacturing Business Segment,
	(w)	a report in form and substance satisfactory to the Agent on historical sale-through rates for the Fulfillment Business Segment,
	(x)	in no event less frequently than fifteen (15) Business Days after the end of each fiscal quarter, with respect to Borrowers' vendor managed Inventory (VMI) Profit Center, (i) to the extent available, a summary

of Inventory by location and type with a supporting perpetual Inventory report, and (ii) a trailing twelve months calculation of accounts receivable dilution for the vendor managed Inventory (VMI) Profit Center, in each case accompanied by such supporting detail and documentation as shall be requested by Agent in its reasonable discretion, and

(y) such other reports as to the Collateral or the financial condition of Loan Parties and their Subsidiaries, as Agent may request.

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In addition, Borrowers, at their own expense, shall deliver to Agent the results of each physical verification, if any, which Borrowers or any of their Subsidiaries may in their discretion have made, or caused any other Person to have made on their behalf, of all or any portion of their Inventory (and, if a Default or an Event of Default shall have occurred and be continuing, Borrowers shall, upon the request of Agent, conduct, and deliver the results of, such physical verifications as Agent may require); Borrowers, at their own expense, shall deliver to Agent such appraisals of its assets as Agent may request at any time after the occurrence and during the continuance of a Default or an Event of Default, such appraisals to be conducted by an appraiser, and in form and substance, satisfactory to Agent. In addition, each Borrower agrees to cooperate fully with Agent to facilitate and implement a system of electronic collateral reporting in order to provide electronic reporting of each of the items set forth above.

6.3. FINANCIAL STATEMENTS, REPORTS, CERTIFICATES. Deliver to Agent, with copies to each Lender:

(a) as soon as available, but in any event within 30 days (45 days in the case of a month that is the end of one of Parent's fiscal quarters) after the end of each month during each of Parent's Fiscal Years,

(i) a company prepared balance sheet, income statement, and statement of cash flow covering Parent's and its Subsidiaries' operations during such period, on both a consolidated and consolidating basis and by Business Segment,

(ii) a certificate signed by the chief financial officer of Parent to the effect that:

(A) the financial statements delivered hereunder have been prepared in accordance with GAAP (except for the lack of footnotes and being subject to year-end audit adjustments) and fairly

present in all material respects the financial condition of Parent and its Subsidiaries,

(B) the representations and warranties of Loan Parties contained in this Agreement and the other Loan Documents are true and correct in all material respects on and as of the date of such certificate, as though made on and as of such date (except to the extent that such representations and warranties relate solely to an earlier date), and

(C) there does not exist any condition or event that constitutes a Default or Event of Default (or, to the extent of any non-compliance, describing such non-compliance as to which he or she may have knowledge and what action Borrowers have taken, are taking, or propose to take with respect thereto),

(iii) for each month that is the date on which a financial covenant in Section 7.18 is to be tested, a Compliance Certificate demonstrating, in reasonable detail, compliance at the end of such period with the applicable financial covenants contained in Section 7.18, and

(iv) a general ledger reconciliation,

(b) as soon as available, but in any event within 90 days after the end of each of Parent's Fiscal Years, financial statements of Parent and its Subsidiaries for each such Fiscal Year, on both a consolidated and consolidating basis and by Business Segment, audited by independent certified public accountants reasonably acceptable to Agent (it being understood that such audit may be performed and presented on a consolidated basis only) and certified, without any qualifications, by such accountants to have been prepared in accordance with GAAP (such audited financial statements to include a balance sheet, income statement, and statement of cash flow and, if prepared, such accountants' letter to management),

(c) as soon as available, but in any event within 30 days prior to the start of each of Parent's Fiscal Years, copies of Loan Parties' Projections, in form and substance (including as to scope and underlying assumptions) satisfactory to Agent, in its sole discretion, for the forthcoming 3 years, year by year, and for the forthcoming Fiscal Year, month by month, on both a consolidated and consolidating basis and by Business Segment, certified by the chief financial officer of Parent as being such officer's good faith best estimate of the financial performance of Parent and its Subsidiaries during the period covered thereby,

(d) if and when filed by any Loan Party,

(i) 10-Q quarterly reports, Form 10-K annual reports, and Form

8-K current reports,

(ii) any other filings made by any Loan Party with the SEC,

(iii) copies of Loan Parties' federal income tax returns, and any amendments thereto, filed with the Internal Revenue Service, and

(iv) any other information that is provided by Parent to its shareholders generally,

(e) as requested by Agent, satisfactory evidence of payment of applicable excise taxes in each jurisdiction in which (i) any Loan Party or any Subsidiary of a Loan Party conducts business or is required to pay any such excise tax, (ii) where any Loan Party's or any Subsidiary of a Loan Party's failure to pay any such applicable excise tax would result in a Lien on the properties or assets of such Loan Party or such Subsidiary, or (iii) where any Loan Party's or any Subsidiary of a Loan Party's failure to pay any such applicable excise tax reasonably could be expected to result in a Material Adverse Change,

(f) as soon as a Borrower has knowledge of any event or condition that constitutes a Default or an Event of Default, notice thereof and a statement of the curative action that Loan Parties propose to take with respect thereto,

(g) promptly after the commencement thereof, but in any event within 5 days after the service of process with respect thereto on any Loan Party or any Subsidiary of a Loan Party, notice of all actions, suits, or proceedings brought by or against any Loan Party or any Subsidiary of a Loan Party before any Governmental Authority which, if determined adversely to such Loan Party or such Subsidiary, reasonably could be expected to result in a Material Adverse Change,

(h) (i) promptly and in any event (A) within 10 days after any Loan Party or any ERISA Affiliate thereof knows or has reason to know that any Termination Event described in clause (i) of the definition of Termination Event with respect to any Benefit Plan has occurred, (B) within 10 days after any Loan Party or any ERISA Affiliate thereof knows or has reason to know that any other Termination Event with respect to any Benefit Plan has occurred, or (C) within 10 days after any Loan Party or any ERISA Affiliate thereof knows or has reason to know that an accumulated funding deficiency has been incurred or an application has been made to the Secretary of the Treasury for a waiver or modification of the minimum funding standard (including installment payments) or an extension of any amortization period under Section 412 of the IRC or the equivalent provision under any federal, state, local or foreign counterparts or equivalents thereof with respect to a Benefit Plan, a statement of an Authorized Person setting forth the details of such occurrence and the action, if any, which such Loan Party or such ERISA Affiliate propose to take with respect thereto, (ii) promptly and in any event within 3 days after receipt thereof by any Loan Party or any ERISA Affiliate thereof from the PBGC, copies of each notice received by any Loan Party or any ERISA Affiliate thereof of the PBGC's

intention to terminate any Plan or to have a trustee appointed to administer any Plan,

(iii) promptly and in any event within 10 days after the filing thereof with the Internal Revenue Service if requested by Agent, copies of each Schedule B (Actuarial Information) or the federal, state, local or foreign equivalent thereof to the annual report (Form 5500 Series) or the federal, state, local or foreign equivalent thereof with respect to each Benefit Plan and Multiemployer Plan, (iv) promptly and in any event within 10 days after any Loan Party or any ERISA Affiliate thereof knows or has reason to know that a required installment within the meaning of Section 412 of the IRC or the equivalent provision under any federal, state, local or foreign counterparts or equivalents thereof has not been made when due with respect to a Benefit Plan, (v) promptly and in any event within 3 days after receipt thereof by any Loan Party or any ERISA Affiliate thereof from a sponsor of a Multiemployer Plan or from the PBGC, a copy of each notice received by any Loan Party or any ERISA Affiliate thereof concerning the imposition or amount of any material withdrawal liability under Section 4202 of ERISA or the equivalent provision under any federal, state, local or foreign counterparts or equivalents thereof or indicating that such Multiemployer Plan may enter reorganization status under Section 4241 of ERISA or the equivalent provision under any federal, state, local or foreign counterparts or equivalents thereof, and (vi) promptly and in any event within 10 days after any Loan Party or any ERISA Affiliate thereof send notice of a plant closing or mass layoff (as defined in the Worker Adjustment and Retraining Notification Act) to employees, copies of each such notice sent by any Loan Party or any ERISA Affiliate thereof,

(i) immediately upon obtaining knowledge thereof, notice of the termination of any Material Contract or any material changes in the terms of any Material Contract or any material breach or material default thereunder,

(j) concurrently with delivery or receipt of any material notice, demand, report, statement or other document delivered to or received from any Person in connection with the Alliance Merger or the Reincorporation Merger, a copy of the same (unless otherwise required to be delivered hereunder), and

(k) upon the request of Agent, any other report reasonably requested relating to the financial condition of Loan Parties or their Subsidiaries.

In addition to the financial statements referred to above, Loan Parties agree to deliver financial statements prepared on both a consolidated and consolidating basis and agree that no Subsidiary of Parent will have a Fiscal Year different from that of Parent, provided that each of IPD, Huck NC and Huck Quincy may have the Fiscal Year specified in the definition of such term. Loan Parties agree to cooperate with Agent to allow Agent to consult with their independent certified

public accountants if Agent reasonably requests the right to do so and that, in such connection, their independent certified public accountants are authorized to communicate with Agent and to release to Agent whatever financial information concerning Loan Parties or their Subsidiaries that Agent reasonably may request.

6.4. GUARANTOR REPORTS. Cause each Guarantor to deliver its annual financial statements at the time when Parent provides its audited financial statements to Agent, but only to the extent such Guarantor's financial statements are not consolidated with Parent's financial statements, and copies of all federal income tax returns as soon as the same are available and in any event no later than 30 days after the same are required to be filed by law.

6.5. RETURNS. Cause returns and allowances as between Loan Parties and their Subsidiaries and their Account Debtors, to be on the same basis and in accordance with the usual customary practices of Loan Parties and their Subsidiaries, as they exist at the time of the execution and delivery of this Agreement.

6.6. MAINTENANCE OF PROPERTIES. Maintain and preserve all of their properties which are necessary or useful in the proper conduct to their business in good working order and condition, ordinary wear and tear excepted, and comply at all times with the provisions of all leases to which it is a party as lessee, so as to prevent any loss or forfeiture thereof or thereunder.

6.7. TAXES. Cause all assessments and taxes, whether real, personal, or otherwise, due or payable by, or imposed, levied, or assessed against Loan Parties, their Subsidiaries, or any of their respective assets to be paid in full, before delinquency or before the expiration of any extension period, except to the extent that (i) the validity of such assessment or tax shall be the subject of a Permitted Protest or (ii) the aggregate amount payable for all such assessments and taxes does not exceed $1,000,000. Loan Parties will and will cause their Subsidiaries to make timely payment or deposit of all tax payments and withholding taxes required of them by applicable laws, including those laws concerning F.I.C.A., F.U.T.A., state disability, and local, state, provincial and federal income taxes, and will, upon request, furnish Agent with proof satisfactory to Agent indicating that the applicable Loan Party or Subsidiary of a Loan Party has made such payments or deposits.

6.8. INSURANCE.

(a) At Loan Parties' expense, maintain insurance respecting their and their Subsidiaries' assets wherever located, covering loss or damage by fire, theft, explosion, and all other hazards and risks as ordinarily are insured against by other Persons engaged in the same or similar businesses. Loan Parties also shall maintain business interruption, public liability, and product liability insurance, as well as insurance against larceny, embezzlement, and

criminal misappropriation. All such policies of insurance shall be in such amounts and with such insurance companies as are reasonably satisfactory to Agent. Loan Parties shall deliver copies of all such policies to Agent with a satisfactory lender's loss payable endorsement naming Agent as sole loss payee or additional insured, as appropriate. Each policy of insurance or endorsement shall contain a clause requiring the insurer to give not less than 30 days' prior written notice to Agent in the event of cancellation of the policy for any reason whatsoever.

(b) Administrative Borrower shall give Collateral Agent prompt notice of any loss covered by such insurance. Collateral Agent shall have the exclusive right to adjust any losses claimed under any such insurance policies in excess of $2,500,000 (or in any amount after the occurrence and during the continuation of an Event of Default), without any liability to Loan Parties whatsoever in respect of such adjustments. Any monies received as payment for any loss under any insurance policy mentioned above (other than liability insurance policies) or as payment of any award or compensation for condemnation or taking by eminent domain, shall be paid over to Collateral Agent to be applied at the option of the Required Lenders either to the prepayment of the Obligations or shall be disbursed to Administrative Borrower under staged payment terms reasonably satisfactory to the Required Lenders for application to the cost of repairs, replacements, or restorations. Any such repairs, replacements, or restorations shall be

effected with reasonable promptness and shall be of a value at least equal to the value of the items or property destroyed prior to such damage or destruction.

(c) Loan Parties shall not, and shall not suffer or permit their Subsidiaries to, take out separate insurance concurrent in form or contributing in the event of loss with that required to be maintained under this Section 6.8, unless Collateral Agent is included thereon as named insured with the loss payable to Collateral Agent under a lender's loss payable endorsement or its equivalent. Administrative Borrower immediately shall notify Collateral Agent whenever such separate insurance is taken out, specifying the insurer thereunder and full particulars as to the policies evidencing the same, and copies of such policies promptly shall be provided to Collateral Agent.

6.9. LOCATION OF INVENTORY AND EQUIPMENT. Keep Loan Parties' and their Subsidiaries' Inventory and material Equipment only at the locations identified on Schedule 5.5 and their chief executive offices only at the locations identified on Schedule 5.7(b); provided, however, that Administrative Borrower may amend Schedule 5.5 and Schedule 5.7(b) so long as such amendment occurs by written notice to Agent not less than 30 days prior to the date on which such Inventory or material Equipment is moved to such new location or such chief executive office is relocated, so long as such new location is within the

continental United States, and so long as, at the time of such written notification, the applicable Loan Party provides Collateral Agent a Collateral Access Agreement for each Leased Real Property or Mortgaged Real Property used in the manufacturing, warehousing and distribution operations of the Loan Parties.

6.10. COMPLIANCE WITH LAWS. Comply with the requirements of all applicable laws, rules, regulations, and orders of any Governmental Authority, including the Fair Labor Standards Act and the Americans With Disabilities Act, other than laws, rules, regulations, and orders the non-compliance with which, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Change.

6.11. LEASES. Pay when due all rents and other amounts payable under any leases to which any Loan Party or any Subsidiary of a Loan Party is a party or by which any Loan Party's or any Subsidiary of a Loan Party's properties and assets are bound, unless (a) such payments are the subject of a Permitted Protest or (b) such location is not the corporate headquarters of the Loan Parties or a location where any books or records with respect to Collateral or any Collateral with a fair market value of more than $500,000 is located and the failure to make such payment could not reasonably be expected to result in a Material Adverse Change.

6.12. EXISTENCE. At all times preserve and keep in full force and effect each Loan Party's and each Subsidiary of a Loan Party's valid existence and good standing and any rights and franchises material to their businesses, except as otherwise permitted under Section 7.3.

6.13. ENVIRONMENTAL.

(a) (i) Keep any property either owned or operated by any Loan Party or any Subsidiary of a Loan Party free of any Environmental Liens or post bonds or other financial assurances sufficient to satisfy the obligations or liability evidenced by such Environmental Liens, (ii) comply, in all material respects, with Environmental Laws and provide to Agent documentation of such compliance which Agent reasonably requests, (iii) promptly notify Agent of any release of a Hazardous Material of any reportable quantity from or onto property owned or operated by any Loan Party or any Subsidiary of a Loan Party and take and complete any Remedial Actions required to abate said release or otherwise to come into compliance with applicable Environmental Law, and permit Collateral Agent (at the direction of Agent) to participate in the resolution thereof if so requested by Collateral Agent, in accordance with subsection (b) below, (iv) promptly, but in any event within 5 days of its receipt thereof, provide Agent with written notice of any of the following: (A) notice that an Environmental Lien has been filed against any of the real or personal property of any Loan Party or any Subsidiary of a Loan Party, (B) commencement of any Environmental

Action or notice that an Environmental Action will be filed against any Loan Party or any Subsidiary of a Loan Party, and (C) notice of a violation, citation, or other administrative order which reasonably could be expected to result in a Material Adverse Change.

(b) [Intentionally Omitted]

(c) Upon reasonable prior written notice and at the direction of Agent, the Collateral Agent shall have the right, except as otherwise provided under Leases, at all reasonable times during normal business hours to enter upon and inspect all or any portion of the Real Property, provided that such inspections shall not unreasonably interfere with the operation or the tenants, residents or occupants of the Real Property.

6.14. DISCLOSURE UPDATES. Promptly and in no event later than 5 Business Days after obtaining knowledge thereof, notify Agent if any written information, exhibit, or report furnished to the Lender Group contained any untrue statement of a material fact or omitted to state any material fact necessary to make the statements contained therein not misleading in light of the circumstances in which made. The foregoing to the contrary notwithstanding, any notification pursuant to the foregoing provision will not cure or remedy the effect of the prior untrue statement of a material fact or omission of any material fact nor shall any such notification have the affect of amending or modifying this Agreement or any of the Schedules hereto.

6.15. FORMATION OF SUBSIDIARIES. Within 5 Business Days after the time that any Borrower or any Guarantor forms any direct or indirect Subsidiary or acquires any direct or indirect Subsidiary after the Closing Date, such Borrower or such Guarantor shall (a) cause such new Subsidiary to provide to Agent a joinder to this Agreement and a Security Agreement, together with such other guaranty and security documents, as well as appropriate UCC-1 financing statements and PPSA registration statements, all in form and substance satisfactory to Agent (including being sufficient to grant Collateral Agent a first priority Lien (subject to Permitted Liens) in and to the assets of such newly formed or acquired Subsidiary), (b) provide to Collateral Agent a pledge agreement and appropriate certificates and powers or UCC-1

financing statements or PPSA registration statements, hypothecating all of the direct or beneficial ownership interest in such new Subsidiary, in form and substance satisfactory to Agent, and (c) provide to Agent all other documentation, including one or more opinions of counsel satisfactory to Agent, which in its opinion is appropriate with respect to the execution and delivery of the applicable documentation referred to above. Any document, agreement, or instrument executed or issued pursuant to this Section 6.15 shall be a Loan Document.

7. NEGATIVE COVENANTS.

Each Loan Party covenants and agrees that, until termination of all of the Commitments and payment in full of the Obligations, such Loan Party will not and will not permit any of its Subsidiaries to do any of the following:

7.1. INDEBTEDNESS. Create, incur, assume, suffer to exist, guarantee, or otherwise become or remain, directly or indirectly, liable with respect to any Indebtedness, except:

(a) Indebtedness evidenced by this Agreement and the other Loan Documents, together with Indebtedness owed to Underlying Issuers with respect to Underlying Letters of Credit;

(b) Indebtedness set forth on Schedule 5.20;

(c) Permitted Purchase Money Indebtedness;

(d) refinancings, renewals, or extensions of Indebtedness permitted under clauses (b) and (c) of this Section 7.1 (and continuance or renewal of any Permitted Liens associated therewith) so long as: (i) the terms and conditions of such refinancings, renewals, or extensions do not, in Agent's Permitted Discretion, materially impair the prospects of repayment of the Obligations by Loan Parties or materially impair Loan Parties' creditworthiness, (ii) such refinancings, renewals, or extensions do not result in an increase in the then extant principal amount of, or interest rate with respect to, the Indebtedness so refinanced, renewed, or extended or add one or more Loan Parties as liable with respect thereto if such additional Loan Parties were not liable with respect to the original Indebtedness, (iii) such refinancings, renewals, or extensions do not result in a shortening of the average weighted maturity of the Indebtedness so refinanced, renewed, or extended, nor are they on terms or conditions, that, taken as a whole, are materially more burdensome or restrictive to the applicable Loan Party, (iv) if the Indebtedness that is refinanced, renewed, or extended was subordinated in right of payment or in lien priority to the Obligations, then the terms and conditions of the refinancing, renewal, or extension Indebtedness must be include subordination terms and conditions that are at least as favorable to the Lender Group as those that were applicable to the refinanced, renewed, or extended Indebtedness, and (v) the Indebtedness that is refinanced, renewed, or extended is not recourse to any Person that is liable on account of the Obligations other than those Persons which were obligated with respect to the Indebtedness that was refinanced, renewed, or extended;

(e) endorsement of instruments or other payment items for deposit;

(f) Indebtedness composing Permitted Investments;

(g) Subordinated Indebtedness;

(h) other unsecured Indebtedness in an aggregate principal amount outstanding at any time not to exceed $2,500,000;

(i) Indebtedness under Hedge Agreements incurred in the ordinary course of business of the Loan Parties consistent with prudent business practice and not for speculative purposes;

(j) guaranties of Indebtedness permitted under this Section 7.1;

(k) the GECC L/C Liabilities, but not any extension or renewal thereof and provided that such liabilities are secured only by cash collateral in an amount not to exceed 105% of the aggregate amount of such liabilities;

(l) Permitted Real Property Indebtedness; and

(m) Indebtedness under the SunTrust Equipment Loan Documents secured only by equipment acquired with financing under such facility in an aggregate principal amount not to exceed (i) prior to the effectiveness of the intercreditor agreement referred to in Section 3.2(m), $5,151,311.45, and (ii) on and after the effectiveness of such intercreditor agreement, and so long as it continues in effect, $10,000,000.

7.2. LIENS. Create, incur, assume, or suffer to exist, directly or indirectly, any Lien on or with respect to any of the Collateral, of any kind, whether now owned or hereafter acquired, or any income or profits therefrom, except for Permitted Liens (including Liens that are replacements of Permitted Liens to the extent that the original Indebtedness is refinanced, renewed, or extended under Section 7.1(d) and so long as the replacement Liens only encumber those assets that secured the refinanced, renewed, or extended Indebtedness).

7.3. RESTRICTIONS ON FUNDAMENTAL CHANGES.

(a) Enter into any merger, consolidation, reorganization, or recapitalization, or reclassify its Stock except (i) on the Closing Date, the Alliance Merger and the Reincorporation Merger, (ii) for a Permitted Acquisition and (iii) so long as no Default or Event of Default shall have occurred and be continuing or would result therefrom, upon the not less than 30 days' prior written notice to Agent, the merger or consolidation of any Guarantor with or into another Loan Party, or of any Borrower (other than Parent) with or into another Borrower.

(b) Liquidate, wind up, or dissolve itself (or suffer any liquidation or dissolution), provided that, so long as no Default or Event of Default shall have occurred and be continuing or would result therefrom, upon not less than 30 days' prior written notice to Agent, any Borrower (other than Parent) and any Guarantor may dissolve itself so long as all of its assets are transferred to a Borrower (if the dissolving entity is a Borrower) or a Guarantor, in each case subject to the Lien of the Collateral Agent.

(c) Convey, sell, lease, license, assign, transfer, or otherwise dispose of, in one transaction or a series of transactions, all or any substantial part of its assets.

7.4. DISPOSAL OF ASSETS. Other than Permitted Dispositions, convey, sell, lease, license, assign, transfer, or otherwise dispose of any of the assets of any Loan Party or any Subsidiary of a Loan Party.

7.5. CHANGE NAME. Except for the Alliance Merger and the Reincorporation Merger, change any Loan Party's or any Subsidiary of a Loan Party's name, FEIN, organizational identification number, state of organization, or organizational identity; provided, however, that a Loan Party or a Subsidiary of a Loan Party may change its name upon at least 30 days' prior written notice by Administrative Borrower to Agent of such change and so long as, at the time of such written notification, such Loan Party or such Subsidiary provides any financing statements necessary to perfect and continue perfected Collateral Agent's Liens.

7.6. NATURE OF BUSINESS. Make any change in the principal nature of their business.

7.7. PREPAYMENTS AND AMENDMENTS. Except in connection with a refinancing permitted by Section 7.1(d),

(a) voluntarily prepay, redeem, defease, purchase, or otherwise acquire any Indebtedness of any Loan Party or any Subsidiary of a Loan Party, other than (i) the Obligations in accordance with this Agreement and (ii) so long as no Event of Default shall have occurred or would result therefrom, Permitted Indebtedness outstanding on the Closing Date (or for which a commitment exists as of the Closing Date) as set forth on Schedule 7.1 but excluding Subordinated Indebtedness, or

(b) directly or indirectly, amend, modify, alter, increase, or change any of the terms or conditions of any agreement, instrument, document, indenture, or other writing evidencing or concerning Indebtedness permitted under Section 7.1(b), (c) or (g).

7.8. CHANGE OF CONTROL. Cause, permit, or suffer, directly or indirectly, any Change of Control.

7.9. CONSIGNMENTS. Other than for the Fulfillment Business Segments, consign any of their Inventory. Notwithstanding the foregoing, Inventory sold on consignment shall not be deemed Eligible Inventory unless the consignee has executed a Consignment Agreement, each in form and substance satisfactory to Agent (subject to the other criteria set forth in the definition of Eligible

Inventory).

7.10. DISTRIBUTIONS. Other than (i) distributions or declaration and payment of dividends by a Loan Party to another Loan Party, (ii) the Transactions to occur on the Closing Date and (iii) in connection with the Alliance Merger, payment for fractional shares and payment to dissenting shareholders, make any distribution or declare or pay any dividends (in cash or

other property, other than Common Stock) on, or purchase, acquire, redeem, or retire any of any Loan Party's Stock, of any class, whether now or hereafter outstanding.

7.11. ACCOUNTING METHODS. Modify or change their Fiscal Year or their method of accounting (other than as may be required to conform to GAAP) or enter into, modify, or terminate any agreement currently existing, or at any time hereafter entered into with any third party accounting firm or service bureau for the preparation or storage of Loan Parties' or their Subsidiaries' accounting records without said accounting firm or service bureau agreeing to provide Agent information regarding Loan Parties' and their Subsidiaries' financial condition.

7.12. INVESTMENTS. Except for Permitted Investments, Permitted Acquisitions and the Transactions to occur on the Closing Date, directly or indirectly, enter into any Acquisition, or make or acquire any Investment, or incur any liabilities (including contingent obligations) for or in connection with any Investment; provided, however, that Administrative Borrower and its Subsidiaries shall not have Permitted Investments (other than in the Cash Management Accounts) in Deposit Accounts or Securities Accounts in an aggregate amount in excess of $50,000 outstanding at any one time unless Administrative Borrower or its Subsidiary, as applicable, and the applicable securities intermediary or bank have entered into Control Agreements or similar arrangements governing such Permitted Investments in order to perfect (and further establish) the Collateral Agent's Liens in such Permitted Investments. Subject to the foregoing proviso, Loan Parties shall not, and shall not permit their Subsidiaries to, establish or maintain any Deposit Account or Securities Account unless Agent shall have received a Control Agreement in respect of such Deposit Account or Securities Account.

7.13. TRANSACTIONS WITH AFFILIATES. Directly or indirectly enter into or permit to exist any transaction with any Affiliate of any Loan Party except for transactions that are in the ordinary course of Loan Parties' business, upon fair and reasonable terms, that are fully disclosed to Agent, and that are no less favorable to Loan Parties than would be obtained in an arm's length transaction with a non-Affiliate.

7.14. SUSPENSION. Suspend or go out of a substantial portion of their

business, other than in connection with a sale or other disposition permitted under Section 7.4 or a transaction described in and permitted by Section 7.3.

7.15. [INTENTIONALLY OMITTED].

7.16. USE OF PROCEEDS. Use the proceeds of the Advances for any purpose other than (a) on the Closing Date, (i) to repay in full the outstanding principal of the GECC Loans, accrued interest thereon, and accrued fees and expenses owing to the GECC Lenders and GECC Agent under the GECC Loan Documents (including posting cash collateral for the outstanding letters of credit thereunder), (ii) to make the Existing Loan Facility Advance in accordance with Section 2.1(a) and (iii) to pay transactional fees, costs, and expenses incurred in connection with this Agreement, the other Loan Documents, and the other Transaction Documents and the transactions contemplated hereby and thereby (including, without limitation, the payment for fractional shares and payment to dissenting shareholders) and (b) thereafter, consistent with the terms and conditions hereof, for its lawful and permitted purposes, including for the Borrowers' working capital and general corporate purposes and to finance Permitted Acquisitions.

7.17. EQUIPMENT WITH BAILEES. Store any Equipment of the Loan Parties or their Subsidiaries with a fair market value in excess of $25,000 at any time now or hereafter with a bailee, warehouseman, or similar party without Agent's prior written consent.

7.18. FINANCIAL COVENANTS.

(a) Fail to maintain or achieve:

(i) MINIMUM EBITDA. EBITDA, measured on a quarter-end basis for the applicable period set forth below of at least the applicable amount set forth below opposite such period:

<TABLE>
<CAPTION>

Applicable Period	Applicable Amount
<S>	<C>
One (1) quarter period ending April 30, 2005	$ 9,379,776
Two (2) quarter period ending July 31, 2005	$19,345,788
Three (3) quarter period ending October 31, 2005	$29,898,036
Four (4) quarter period ending January 31, 2006	$58,623,600
Four (4) quarter period ending April 30, 2006	$60,579,344
Four (4) quarter period ending July 31, 2006	$62,657,322
Four (4) quarter period ending October 31, 2006	$64,857,534
Four (4) quarter period ending January 31, 2007	$70,847,000

</TABLE>

For each remaining period, as follows: Upon receipt of the Projections required to be delivered to the Agent pursuant to Section 6.3(c), the Parent and the Agent shall negotiate in good faith to determine the minimum EBITDA for the Parent and its Subsidiaries as of the end of each period of four (4) fiscal quarters ending on a date covered by such Projections and, in the event that (x) the Parent and the Agent are unable to agree upon the amount of such minimum EBITDA on or before the date that is 30 days after the date that the Agent has received such Projections, or (y) the Parent fails to deliver Projections in accordance with Section 6.3(c), the minimum required EBITDA for each period of four (4) fiscal quarters ending on a date covered by such Projections shall be $80,000,000.

(ii) FIXED CHARGE COVERAGE RATIO. A Fixed Charge Coverage Ratio, measured on a quarter-end basis for each period of four fiscal quarters of at least 1.1 to 1.0.

(b) Permit:

(i) WFF DEBT RATIO. The WFF Debt Ratio measured on a quarter-end basis for each period of four fiscal quarters (commencing with the fiscal quarter ending January 31, 2006) to exceed 2.5 to 1.0.

(c) Make:

(i) CAPITAL EXPENDITURES. Capital expenditures (excluding expenditures made for Permitted Acquisitions) in any Fiscal Year in excess of $19,300,000.

7.19. BUSINESS SEGMENTS. Make any changes with respect to the Business Segments of the Loan Parties, and the identities of the Subsidiaries included in each such Business Segment, from the structure set forth in Schedule S-1.

8. EVENTS OF DEFAULT.

Any one or more of the following events shall constitute an event of default (each, an "Event of Default") under this Agreement:

8.1. If Borrowers fail to pay when due and payable or when declared due and payable, all or any portion of the Obligations (whether of principal, interest (including any interest which, but for the provisions of the Bankruptcy Code, would have accrued on such amounts), fees and charges due the Lender Group, reimbursement of Lender Group Expenses, or other amounts constituting Obligations); provided, however, that in the case of Overadvances that are

caused by charging of interest, fees, or Lender Group Expenses to the Loan Account, such event shall not constitute an Event of Default if, within 3 Business Days of their receipt of telephonic notice of such Overadvance, Borrowers eliminate such Overadvance;

8.2. If any Loan Party:

(a) fails to perform, keep, or observe any term, provision, covenant, or agreement contained in Sections 2.7, 3.2, 6.7, 6.8, 6.10, 6.12, 6.15, 6.16 or 7.1 through 7.19 of this Agreement;

(b) fails or neglects to perform, keep, or observe (i) any term, provision, covenant, or agreement contained in Sections 6.2 or 6.3, of this Agreement and such failure continues for a period of 5 Business Days or (ii) any term, provision, covenant, or agreement contained in Sections 6.5, 6.6, 6.9, 6.11, and 6.14 of this Agreement and such failure continues for a period of 15 Business Days; or

(c) fails or neglects to perform, keep, or observe any other term, provision, covenant, or agreement contained in this Agreement, or in any of the other Loan Documents (giving effect to any grace periods, cure periods, or required notices, if any, expressly provided for in such Loan Documents); in each case, other than any such term, provision, covenant, or agreement that is the subject of another provision of this Section 8 (in

which event such other provision of this Section 8 shall govern), and such failure continues for a period of 30 days;

provided that, during any period of time that any such failure or neglect referred to in this paragraph exists, even if such failure or neglect is not yet an Event of Default, Lenders shall be relieved of their obligation to extend credit hereunder

8.3. If any material portion of any Loan Party's assets is attached, seized, subjected to a writ or distress warrant, or is levied upon, or comes into the possession of any third Person;

8.4. If an Insolvency Proceeding is commenced by any Loan Party or any Subsidiary of a Loan Party;

8.5. If an Insolvency Proceeding is commenced against any Loan Party or any Subsidiary of a Loan Party, and any of the following events occur: (a) the applicable Loan Party or Subsidiary consents to the institution of the Insolvency Proceeding against it, (b) the petition commencing the Insolvency Proceeding is not timely controverted; provided, however, that, during the pendency of such period, each member of the Lender Group shall be relieved of

its obligations to extend credit hereunder, (c) the petition commencing the Insolvency Proceeding is not dismissed within 45 calendar days of the date of the filing thereof; provided, however, that, during the pendency of such period, each member of the Lender Group shall be relieved of its obligation to extend credit hereunder, (d) an interim trustee is appointed to take possession of all or any substantial portion of the properties or assets of, or to operate all or any substantial portion of the business of, any Loan Party or any Subsidiary of a Loan Party, or (e) an order for relief shall have been entered therein;

8.6. If any Loan Party or any Subsidiary of a Loan Party is enjoined, restrained, or in any way prevented by court order from continuing to conduct all or any material part of its business affairs;

8.7. (a) If a notice of Lien is filed of record with respect to a Loan Party's assets or any of its Subsidiaries' assets by the United States or any department, agency, or instrumentality thereof (a "Federal Lien"), or by any state, county, municipal, or governmental agency and such state, county, municipal, or governmental agency Lien has priority over the Liens of the Collateral Agent in and to the Collateral or any portion thereof (a "Non-Federal Priority Lien"), and in either case the aggregate amount claimed with respect to any such Lien is in excess of $1,000,000; or

(b) If a notice of Lien is filed of record with respect to a Loan Party' assets or any of its Subsidiaries' assets by any state, county, municipal, or governmental agency that is not a Non-Federal Priority Lien (a "Non-Federal Non-Priority Lien"); provided, however, that, if the aggregate amount claimed with respect to any such Non-Federal Non-Priority Liens, or combination thereof, is less than $1,000,000, an Event of Default shall not occur under this subsection if the claims that are the subject of such Liens are the subject of Permitted Protests and if the Liens are released, discharged, or bonded against within 30 days of each such Lien first being filed of record or, if earlier, at least 5 days prior to the date on which assets that are

subject to such Liens are subject to being sold or forfeited and, in any such case, Lender shall have the absolute right to establish and maintain a reserve against the Borrowing Base and the Maximum Revolver Amount in an amount equal to the aggregate amount of the underlying claims (determined by Agent, in its Permitted Discretion, and irrespective of any Permitted Protests with respect thereto and including any penalties or interest that are estimated by Agent, in its Permitted Discretion, to arise in connection therewith);

8.8. If a judgment or other claim becomes a Lien or encumbrance upon any material portion of any Loan Party's or any Subsidiary of a Loan Party's properties or assets;

8.9. (i) If there is a default in any Material Contract to which any

Loan Party or any Subsidiary of a Loan Party is a party and such default results in a right by the other party thereto, irrespective of whether exercised, to terminate such agreement or (ii) any Loan Party shall fail to pay any principal of or interest or premium on any of its Indebtedness (excluding Indebtedness evidenced by this Agreement), to the extent that the aggregate principal amount of all such Indebtedness exceeds $1,500,000, when due (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise) and such failure shall continue after the applicable grace period, if any, specified in the agreement or instrument relating to such Indebtedness, or any other default under any agreement or instrument relating to any such Indebtedness, or any other event, shall occur and shall continue after the applicable grace period, if any, specified in such agreement or instrument, if the effect of such default or event is to accelerate, or to permit the acceleration of, the maturity of such Indebtedness; or any such Indebtedness shall be declared to be due and payable, or required to be prepaid (other than by a regularly scheduled required payment or prepayment), redeemed, purchased or defeased or an offer to prepay, redeem, purchase or defease such Indebtedness shall be required to be made, in each case, prior to the stated maturity thereof;

8.10. If any Loan Party or any Subsidiary of a Loan Party makes any payment on account of Indebtedness that has been contractually subordinated in right of payment to the payment of the Obligations, except to the extent such payment is permitted by the terms of the subordination provisions applicable to such Indebtedness;

8.11. If any material misstatement or misrepresentation exists now or hereafter in any warranty, representation, statement, or Record made to the Lender Group by any Loan Party, any Subsidiary of a Loan Party, or any officer, employee, agent, or director of any Loan Party or any Subsidiary of a Loan Party;

8.12. If the obligation of any Guarantor under any Guaranty is limited or terminated by operation of law or by such Guarantor thereunder except in connection with a transaction permitted under Section 7.3;

8.13. If any Loan Document that purports to create a Lien, shall, for any reason, fail or cease to create a valid and perfected and, except to the extent permitted by the terms hereof or thereof, first priority Lien on or security interest in the Collateral covered hereby or thereby;

8.14. Any provision of any Loan Document shall at any time for any reason be declared to be null and void, or the validity or enforceability thereof shall be contested by any Loan Party or any Subsidiary of a Loan Party, or a proceeding shall be commenced by any Loan Party or any Subsidiary of a Loan Party, or by any Governmental Authority having jurisdiction over any Loan Party or any Subsidiary of a Loan Party, seeking to establish the invalidity or

unenforceability thereof, or any Loan Party or any Subsidiary of a Loan Party shall deny that it has any liability or obligation purported to be created under any Loan Document,

8.15. If any Loan Party or any of its Subsidiaries or any of their ERISA Affiliates shall have made a complete or partial withdrawal from a Multiemployer Plan, and, as a result of such complete or partial withdrawal, such Loan Party or any of its Subsidiaries or such ERISA Affiliate incurs a withdrawal liability in an annual amount exceeding $500,000; or a Multiemployer Plan enters reorganization status under Section 4241 of ERISA, and, as a result thereof, a Loan Party's or such Subsidiary's, or such ERISA Affiliate's annual contribution requirement with respect to such Multiemployer Plan increases in an annual amount exceeding $500,000; or

8.16. If any Termination Event with respect to any Benefit Plan shall have occurred, and, 30 days thereafter, (i) such Termination Event (if correctable) shall not have been corrected, and (ii) the then current value of such Benefit Plan's vested benefits exceeds the then current value of assets allocable to such benefits in such Benefit Plan by more than $500,000 (or, in the case of a Termination Event involving liability under Section 409, 502(i), 502(l), 515, 4062, 4063, 4064, 4069, 4201, 4204 or 4212 of ERISA or Section 4971 or 4975 of the Code, the liability is in excess of such amount).

9. THE LENDER GROUP'S RIGHTS AND REMEDIES.

9.1. RIGHTS AND REMEDIES. Upon the occurrence, and during the continuation, of an Event of Default, the Required Lenders (at their election but without notice of their election and without demand) may authorize and instruct Agent to do any one or more of the following on behalf of the Lender Group (and Agent, acting upon the instructions of the Required Lenders, shall do the same on behalf of the Lender Group), all of which are authorized by Borrowers:

(a) Declare all Obligations, whether evidenced by this Agreement, by any of the other Loan Documents, or otherwise, immediately due and payable;

(b) Cease advancing money or extending credit to or for the benefit of Borrowers under this Agreement, under any of the Loan Documents, or under any other agreement between Borrowers and the Lender Group;

(c) Terminate this Agreement and any of the other Loan Documents as to any future liability or obligation of the Lender Group, but without affecting any of the Collateral Agent's Liens in the Collateral and without affecting the Obligations; and

(d) The Lender Group shall have all other rights and remedies available to it at law or in equity pursuant to any other Loan Documents; provided, however, that upon the occurrence of any Event of Default described in Section 8.4 or Section 8.5, in addition to the remedies set forth above, without any notice to Loan Parties or any other Person or any act by

the Lender Group, the Commitments shall automatically terminate and the Obligations then outstanding, together with all accrued and unpaid interest thereon, and all fees and all other amounts due under this Agreement and the other Loan Documents, shall automatically and immediately become due and payable, without presentment, demand, protest, or notice of any kind, all of which are expressly waived by Loan Parties.

9.2. REMEDIES CUMULATIVE. The rights and remedies of the Lender Group under this Agreement, the other Loan Documents, and all other agreements shall be cumulative. The Lender Group shall have all other rights and remedies not inconsistent herewith as provided under the Code, by law, or in equity. No exercise by the Lender Group of one right or remedy shall be deemed an election, and no waiver by the Lender Group of any Event of Default shall be deemed a continuing waiver. No delay by the Lender Group shall constitute a waiver, election, or acquiescence by it.

10. TAXES AND EXPENSES.

If any Loan Party fails to pay any monies (whether taxes, assessments, insurance premiums, or, in the case of leased properties or assets, rents or other amounts payable under such leases) due to third Persons, or fails to make any deposits or furnish any required proof of payment or deposit, all as required under the terms of this Agreement, then, Agent, in its Permitted Discretion and without prior notice to any Loan Party, may do any or all of the following: (a) make payment of the same or any part thereof, (b) set up such reserves in Borrowers' Loan Account as Agent deems necessary to protect the Lender Group from the exposure created by such failure, or (c) in the case of the failure to comply with Section 6.8 hereof, obtain and maintain insurance policies of the type described in Section 6.8 and take any action with respect to such policies as Agent deems prudent. Any such amounts paid by Agent shall constitute Lender Group Expenses and any such payments shall not constitute an agreement by the Lender Group to make similar payments in the future or a waiver by the Lender Group of any Event of Default under this Agreement. Agent need not inquire as to, or contest the validity of, any such expense, tax, or Lien and the receipt of the usual official notice for the payment thereof shall be conclusive evidence that the same was validly due and owing.

11. WAIVERS; INDEMNIFICATION.

11.1. DEMAND; PROTEST; ETC. Each Loan Party waives demand, protest, notice of protest, notice of default or dishonor, notice of payment and nonpayment, nonpayment at maturity, release, compromise, settlement, extension, or renewal of documents, instruments, chattel paper, and guarantees at any time held by the Lender Group on which any such Loan Party may in any way be liable.

11.2. THE LENDER GROUP'S LIABILITY FOR COLLATERAL. Each Loan Party

hereby agrees that: (a) so long as the Lender Group complies with its obligations, if any, under the Code, Agent and Collateral Agent shall not in any way or manner be liable or responsible for: (i) the safekeeping of the Collateral, (ii) any loss or damage thereto occurring or arising in any manner or fashion from any cause, (iii) any diminution in the value thereof, or (iv) any act or default of any carrier, warehouseman, bailee, forwarding agency, or other Person, and (b) all risk of loss, damage, or destruction of the Collateral shall be borne by Loan Parties.

11.3. INDEMNIFICATION. Each Loan Party shall pay, indemnify, defend, and hold the Agent-Related Persons, the Lender-Related Persons, and each Participant (each, an "Indemnified Person") harmless (to the fullest extent permitted by law) from and against any and all claims, demands, suits, actions, investigations, proceedings, and damages, and all reasonable attorneys fees and disbursements and other costs and expenses actually incurred in connection therewith (as and when they are incurred and irrespective of whether suit is brought), at any time asserted against, imposed upon, or incurred by any of them (a) in connection with or as a result of or related to the execution, delivery, enforcement, performance, or administration (including any restructuring or workout with respect hereto) of this Agreement, any of the other Loan Documents, or the transactions contemplated hereby or thereby or the monitoring of Loan Parties' compliance with the terms of the Loan Documents, and (b) with respect to any investigation, litigation, or proceeding related to this Agreement, any other Loan Document, or the use of the proceeds of the credit provided hereunder (irrespective of whether any Indemnified Person is a party thereto), or any act, omission, event, or circumstance in any manner related thereto (all the foregoing, collectively, the "Indemnified Liabilities"). The foregoing to the contrary notwithstanding, Loan Parties shall have no obligation to any Indemnified Person under this Section 11.3 with respect to any Indemnified Liability that a court of competent jurisdiction finally determines to have resulted from the gross negligence or willful misconduct of such Indemnified Person. This provision shall survive the termination of this Agreement and the repayment of the Obligations. If any Indemnified Person makes any payment to any other Indemnified Person with respect to an Indemnified Liability as to which Loan Parties were required to indemnify the Indemnified Person receiving such payment, the Indemnified Person making such payment is entitled to be indemnified and reimbursed by Loan Parties with respect thereto. WITHOUT LIMITATION, THE FOREGOING INDEMNITY SHALL APPLY TO EACH INDEMNIFIED PERSON WITH RESPECT TO INDEMNIFIED LIABILITIES WHICH IN WHOLE OR IN PART ARE CAUSED BY OR ARISE OUT OF ANY NEGLIGENT ACT OR OMISSION OF SUCH INDEMNIFIED PERSON OR OF ANY OTHER PERSON.

11.4. ENVIRONMENTAL INDEMNITY. Without limiting Section 11.3 hereof, each Borrower shall pay, indemnify, defend, and hold harmless each Indemnified Person against any and all Environmental Liabilities and Costs and all other claims, demands, penalties, fines, liability (including strict liability),

losses, damages, costs and expenses (including reasonable legal fees and expenses, consultant fees and laboratory fees), arising out of (a) any releases or threatened releases of any Hazardous Materials (i) at any property presently or formerly owned or operated by any Loan Party or any Subsidiary of a Loan Party, or any predecessor in interest, or (ii) generated and disposed of by a Loan Party or any Subsidiary of a Loan Party, or any predecessor in interest; (b) any violations of Environmental Laws; (c) any Environmental Action relating to a Loan Party or any Subsidiary of a Loan Party, or any predecessor in interest; (d) any personal injury (including wrongful death) or property damage (real or personal) arising out of exposure to Hazardous Materials used, handled, generated, transported or disposed by a Loan Party or any Subsidiary of a Loan Party, or any predecessor in interest; and (e) any breach of any warranty or representation regarding environmental matters made by the Loan Parties in any Loan Document.

12. NOTICES.

Unless otherwise provided in this Agreement, all notices or demands by Loan Parties or Agent to the other relating to this Agreement or any other Loan Document shall be in writing and (except for financial statements and other informational documents which may be sent by first-class mail, postage prepaid) shall be personally delivered or sent by registered or certified mail (postage prepaid, return receipt requested), overnight courier, electronic mail (at such email addresses as Administrative Borrower or Agent, as applicable, may designate to each other in accordance herewith), or telefacsimile to Loan Parties in care of Administrative Borrower or to Agent, as the case may be, at its address set forth below:

If to Administrative Borrower:	SOURCE INTERLINK COMPANIES, INC. 27500 Riverview Center Blvd. Suite 400 Bonita Springs, Florida Attn: Marc Fierman and Douglas Bates Fax No. 239-949-7689
with copies to:	COHEN & GRIGSBY, P.C. 11 Stanwix Street 15th Floor Pittsburgh, PA 15222-3115 Attn.: Jack W. Elliott, Esq. Fax: 412.209.0672
If to Agent or Collateral Agent:	WELLS FARGO FOOTHILL, INC. 1000 Abernathy Road, Suite 1450 Atlanta, Georgia 30328

Attn: Business Finance Manager
Fax No. 770-508-1375

with copies to: SCHULTE ROTH & ZABEL LLP
919 Third Avenue
New York, New York 10022
Attn: Daniel V. Oshinsky, Esq.
Fax No. 212-593-5955

Agent and Administrative Borrower may change the address at which they are to receive notices hereunder, by notice in writing in the foregoing manner given to the other party. All notices or demands sent in accordance with this Section 12, other than notices by Agent in connection with enforcement rights against the Collateral under the provisions of the Code, shall be deemed received on the earlier of the date of actual receipt or 3 Business Days after the deposit thereof in the mail. Each Loan Party acknowledges and agrees that notices sent by the Lender Group in connection with the exercise of enforcement rights against Collateral under the

provisions of the Code shall be deemed sent when deposited in the mail or personally delivered, or, where permitted by law, transmitted by telefacsimile or any other method set forth above.

13. CHOICE OF LAW AND VENUE; JURY TRIAL WAIVER.

(A) THE VALIDITY OF THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS (UNLESS EXPRESSLY PROVIDED TO THE CONTRARY IN ANOTHER LOAN DOCUMENT IN RESPECT OF SUCH OTHER LOAN DOCUMENT), THE CONSTRUCTION, INTERPRETATION, AND ENFORCEMENT HEREOF AND THEREOF, AND THE RIGHTS OF THE PARTIES HERETO AND THERETO WITH RESPECT TO ALL MATTERS ARISING HEREUNDER OR THEREUNDER OR RELATED HERETO OR THERETO SHALL BE DETERMINED UNDER, GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

(B) THE PARTIES AGREE THAT ALL ACTIONS OR PROCEEDINGS ARISING IN CONNECTION WITH THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS SHALL BE TRIED AND LITIGATED ONLY IN THE STATE AND FEDERAL COURTS LOCATED IN THE COUNTY OF NEW YORK, STATE OF NEW YORK, PROVIDED, HOWEVER, THAT ANY SUIT SEEKING ENFORCEMENT AGAINST ANY COLLATERAL OR OTHER PROPERTY MAY BE BROUGHT, AT AGENT'S OPTION, IN THE COURTS OF ANY JURISDICTION WHERE AGENT ELECTS TO BRING SUCH ACTION OR WHERE SUCH COLLATERAL OR OTHER PROPERTY MAY BE FOUND. LOAN PARTIES AND THE LENDER GROUP WAIVE, TO THE EXTENT PERMITTED UNDER APPLICABLE LAW, ANY RIGHT EACH MAY HAVE TO ASSERT THE DOCTRINE OF FORUM NON CONVENIENS OR TO OBJECT TO VENUE TO THE EXTENT ANY PROCEEDING IS BROUGHT IN ACCORDANCE WITH THIS SECTION 13(B).

(C) LOAN PARTIES AND THE LENDER GROUP HEREBY WAIVE THEIR RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT

OF ANY OF THE LOAN DOCUMENTS OR ANY OF THE TRANSACTIONS CONTEMPLATED THEREIN, INCLUDING CONTRACT CLAIMS, TORT CLAIMS, BREACH OF DUTY CLAIMS, AND ALL OTHER COMMON LAW OR STATUTORY CLAIMS. LOAN PARTIES AND THE LENDER GROUP REPRESENT THAT EACH HAS REVIEWED THIS WAIVER AND EACH KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS FOLLOWING CONSULTATION WITH LEGAL COUNSEL. IN THE EVENT OF LITIGATION, A COPY OF THIS AGREEMENT MAY BE FILED AS A WRITTEN CONSENT TO A TRIAL BY THE COURT.

14. ASSIGNMENTS AND PARTICIPATIONS; SUCCESSORS.

14.1. ASSIGNMENTS AND PARTICIPATIONS.

(a) Any Lender may assign and delegate to one or more assignees (each an "Assignee") that are Eligible Transferees all, or any ratable part of all, of the Obligations, the

Commitments and the other rights and obligations of such Lender hereunder and under the other Loan Documents, in a minimum amount of $10,000,000; provided, however, that Borrowers and Agent may continue to deal solely and directly with such Lender in connection with the interest so assigned to an Assignee until (i) written notice of such assignment, together with payment instructions, addresses, and related information with respect to the Assignee, have been given to Administrative Borrower and Agent by such Lender and the Assignee, (ii) such Lender and its Assignee have delivered to Administrative Borrower and Agent an Assignment and Acceptance, and (iii) the assignor Lender or Assignee has paid to Agent for Agent's separate account a processing fee in the amount of $5,000. Anything contained herein to the contrary notwithstanding, the payment of any fees shall not be required and the Assignee need not be an Eligible Transferee if such assignment is in connection with any merger, consolidation, sale, transfer, or other disposition of all or any substantial portion of the business or loan portfolio of the assigning Lender.

(b) From and after the date that Agent notifies the assignor Lender (with a copy to Administrative Borrower) that it has received an executed Assignment and Acceptance and payment of the above-referenced processing fee, (i) the Assignee thereunder shall be a party hereto and, to the extent that rights and obligations hereunder have been assigned to it pursuant to such Assignment and Acceptance, shall have the rights and obligations of a Lender under the Loan Documents, and (ii) the assignor Lender shall, to the extent that rights and obligations hereunder and under the other Loan Documents have been assigned by it pursuant to such Assignment and Acceptance, relinquish its rights (except with respect to Section 11.3 hereof) and be released from any future obligations under this Agreement (and in the case of an Assignment and Acceptance covering all or the remaining portion of an assigning Lender's rights and obligations under this Agreement and the other Loan Documents, such Lender shall cease to be a party hereto and thereto), and such assignment shall effect

a novation between Borrowers and the Assignee; provided, however, that nothing contained herein shall release any assigning Lender from obligations that survive the termination of this Agreement, including such assigning Lender's obligations under Section 16 and Section 17.8 of this Agreement.

(c) By executing and delivering an Assignment and Acceptance, the assigning Lender thereunder and the Assignee thereunder confirm to and agree with each other and the other parties hereto as follows: (1) other than as provided in such Assignment and Acceptance, such assigning Lender makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with this Agreement or the execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement or any other Loan Document furnished pursuant hereto, (2) such assigning Lender makes no representation or warranty and assumes no responsibility with respect to the financial condition of Borrowers or the performance or observance by Borrowers of any of their obligations under this Agreement or any other Loan Document furnished pursuant hereto, (3) such Assignee confirms that it has received a copy of this Agreement, together with such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into such Assignment and Acceptance, (4) such Assignee will, independently and without reliance upon Agent, such assigning Lender or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement, (5) such Assignee appoints and authorizes Agent to take such actions and to exercise

such powers under this Agreement as are delegated to Agent, by the terms hereof, together with such powers as are reasonably incidental thereto, and (6) such Assignee agrees that it will perform all of the obligations which by the terms of this Agreement are required to be performed by it as a Lender.

(d) Immediately upon Agent's receipt of the required processing fee payment and the fully executed Assignment and Acceptance, this Agreement shall be deemed to be amended to the extent, but only to the extent, necessary to reflect the addition of the Assignee and the resulting adjustment of the Commitments arising therefrom. The Commitment allocated to each Assignee shall reduce such Commitments of the assigning Lender pro tanto.

(e) Any Lender may at any time, with the written consent of Agent, sell to one or more commercial banks, financial institutions, or other Persons not Affiliates of such Lender (a "Participant") participating interests in its Obligations, the Commitment, and the other rights and interests of that Lender (the "Originating Lender") hereunder and under the other Loan Documents (provided that no written consent of Agent shall be required in connection with any sale of any such participating interests by a Lender to an Eligible

Transferee); provided, however, that (i) the Originating Lender shall remain a "Lender" for all purposes of this Agreement and the other Loan Documents and the Participant receiving the participating interest in the Obligations, the Commitments, and the other rights and interests of the Originating Lender hereunder shall not constitute a "Lender" hereunder or under the other Loan Documents and the Originating Lender's obligations under this Agreement shall remain unchanged, (ii) the Originating Lender shall remain solely responsible for the performance of such obligations, (iii) Borrowers, Agent, and the Lenders shall continue to deal solely and directly with the Originating Lender in connection with the Originating Lender's rights and obligations under this Agreement and the other Loan Documents, (iv) no Lender shall transfer or grant any participating interest under which the Participant has the right to approve any amendment to, or any consent or waiver with respect to, this Agreement or any other Loan Document, except to the extent such amendment to, or consent or waiver with respect to this Agreement or of any other Loan Document would (A) extend the final maturity date of the Obligations hereunder in which such Participant is participating, (B) reduce the interest rate applicable to the Obligations hereunder in which such Participant is participating, (C) release all or substantially all of the Collateral or guaranties (except to the extent expressly provided herein or in any of the Loan Documents) supporting the Obligations hereunder in which such Participant is participating, (D) postpone the payment of, or reduce the amount of, the interest or fees payable to such Participant through such Lender, or (E) change the amount or due dates of scheduled principal repayments or prepayments or premiums; and (v) all amounts payable by Borrowers hereunder shall be determined as if such Lender had not sold such participation; except that, if amounts outstanding under this Agreement are due and unpaid, or shall have been declared or shall have become due and payable upon the occurrence of an Event of Default, each Participant shall be deemed to have the right of set-off in respect of its participating interest in amounts owing under this Agreement to the same extent as if the amount of its participating interest were owing directly to it as a Lender under this Agreement. The rights of any Participant only shall be derivative through the Originating Lender with whom such Participant participates and no Participant shall have any rights under this Agreement or the other Loan Documents or any direct rights as to the other Lenders, Agent, Collateral Agent, Borrowers, Guarantors, the Collections of Borrowers or their Subsidiaries, the Collateral, or otherwise in respect of the Obligations. No Participant shall

have the right to participate directly in the making of decisions by the Lenders among themselves.

(f) In connection with any such assignment or participation or proposed assignment or participation, a Lender may, subject to the provisions of Section 17.8, disclose all documents and information which it now or hereafter may have relating to Borrowers and their Subsidiaries and their respective businesses.

(g) Any other provision in this Agreement notwithstanding, any Lender may at any time create a security interest in, or pledge, all or any portion of its rights under and interest in this Agreement in favor of any Federal Reserve Bank in accordance with Regulation A of the Federal Reserve Bank or U.S. Treasury Regulation 31 CFR Section 203.24, and such Federal Reserve Bank may enforce such pledge or security interest in any manner permitted under applicable law.

14.2. SUCCESSORS. This Agreement shall bind and inure to the benefit of the respective successors and assigns of each of the parties; provided, however, that Borrowers may not assign this Agreement or any rights or duties hereunder without the Lenders' prior written consent and any prohibited assignment shall be absolutely void ab initio. No consent to assignment by the Lenders shall release any Borrower from its Obligations. A Lender may assign this Agreement and the other Loan Documents and its rights and duties hereunder and thereunder pursuant to Section 14.1 hereof and, except as expressly required pursuant to Section 14.1 hereof, no consent or approval by any Borrower is required in connection with any such assignment.

15. AMENDMENTS; WAIVERS.

15.1. AMENDMENTS AND WAIVERS. No amendment or waiver of any provision of this Agreement or any other Loan Document, and no consent with respect to any departure by Loan Parties therefrom, shall be effective unless the same shall be in writing and signed by the Required Lenders (or by Agent at the written request of the Required Lenders) and Administrative Borrower (on behalf of all Loan Parties) and then any such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided, however, that no such waiver, amendment, or consent shall, unless in writing and signed by all of the Lenders affected thereby, Administrative Borrower (on behalf of all Loan Parties) and Agent, do any of the following:

(a) increase or extend any Commitment of any Lender,

(b) postpone or delay any date fixed by this Agreement or any other Loan Document for any payment of principal, interest, fees, or other amounts due hereunder or under any other Loan Document,

(c) reduce the principal of, or the rate of interest on, any loan or other extension of credit hereunder, or reduce any fees or other amounts payable hereunder or under any other Loan Document,

(d) change the percentage of the Commitments that is required to take any action hereunder,

(e) amend or modify this Section or any provision of the Agreement providing for consent or other action by all Lenders,

(f) release Collateral other than as permitted by Section 16.12,

(g) change the definition of "Required Lenders" or "Pro Rata Share",

(h) contractually subordinate any of the Collateral Agent's Liens, except that the Collateral Agent may enter into an intercreditor agreement with SunTrust Leasing Corporation to obtain a second priority Lien on certain equipment owned by AEC One Stop which is subject to a first priority security interest in favor of SunTrust Leasing Corporation,

(i) release any Borrower or Guarantor from any obligation for the payment of money, or

(j) change the definition of Borrowing Base or the definitions of Eligible Accounts, Eligible Inventory, or Maximum Revolver Amount or change Section 2.1(b); or

(k) amend any of the provisions of Section 16.

and, provided further, however, that no amendment, waiver or consent shall, unless in writing and signed by Agent, Issuing Lender, or Swing Lender, affect the rights or duties of Agent, Issuing Lender, or Swing Lender, as applicable, under this Agreement or any other Loan Document. The foregoing notwithstanding, any amendment, modification, waiver, consent, termination, or release of, or with respect to, any provision of this Agreement or any other Loan Document that relates only to the relationship of the Lender Group among themselves, and that does not affect the rights or obligations of Loan Parties, shall not require consent by or the agreement of Loan Parties.

15.2. REPLACEMENT OF LENDER. If any action to be taken by the Lender Group or Agent hereunder requires the unanimous consent, authorization, or agreement of all Lenders, and a Lender ("Holdout Lender") fails to give its consent, authorization, or agreement, then Agent, upon at least 5 Business Days prior irrevocable notice to the Holdout Lender, may permanently replace the Holdout Lender with one or more substitute Lenders (each, a "Replacement Lender"), and the Holdout Lender shall have no right to refuse to be replaced hereunder. In addition, a Subject Lender may be replaced with one or more Replacement Lenders to the extent set forth in Section 2.14(b), and the Subject Lender shall have no right to refuse to be replaced hereunder. Such notice to replace the Holdout Lender or Subject Lender, as applicable, shall specify an effective date for such replacement, which date shall not be later than 15 Business Days after the date such notice is given.

Prior to the effective date of any such replacement, the Holdout Lender or Subject Lender, as applicable, and each Replacement Lender shall execute and deliver an Assignment and Acceptance Agreement, subject only to the Holdout Lender or Subject Lender, as applicable, being repaid its share of the

outstanding Obligations (including an assumption of its Pro Rata

Share of the Risk Participation Liability) without any premium or penalty of any kind whatsoever. If the Holdout Lender or Subject Lender, as applicable, shall refuse or fail to execute and deliver any such Assignment and Acceptance prior to the effective date of such replacement, the Holdout Lender or Subject Lender (as applicable) shall be deemed to have executed and delivered such Assignment and Acceptance. The replacement of any Holdout Lender or Subject Lender shall be made in accordance with the terms of Section 14.1. Until such time as the Replacement Lenders shall have acquired all of the Obligations, the Commitments, and the other rights and obligations of the Holdout Lender or Subject Lender (as applicable) hereunder and under the other Loan Documents, the Holdout Lender or Subject Lender (as applicable) shall remain obligated to make the Holdout Lender's or Subject Lender's (as applicable) Pro Rata Share of Advances and to purchase a participation in each Letter of Credit, in an amount equal to its Pro Rata Share of the Risk Participation Liability of such Letter of Credit.

15.3. NO WAIVERS; CUMULATIVE REMEDIES. No failure by Agent or any Lender to exercise any right, remedy, or option under this Agreement or, any other Loan Document, or delay by Agent or any Lender in exercising the same, will operate as a waiver thereof. No waiver by Agent or any Lender will be effective unless it is in writing, and then only to the extent specifically stated. No waiver by Agent or any Lender on any occasion shall affect or diminish Agent's and each Lender's rights thereafter to require strict performance by Loan Parties of any provision of this Agreement. Agent's and each Lender's rights under this Agreement and the other Loan Documents will be cumulative and not exclusive of any other right or remedy that Agent or any Lender may have.

16. AGENT AND COLLATERAL AGENT; THE LENDER GROUP.

16.1. APPOINTMENT AND AUTHORIZATION OF AGENT AND COLLATERAL AGENT. Each Lender hereby designates and appoints WFF as Agent under this Agreement and the other Loan Documents to which Agent is a party and hereby designates and appoints WFF as Collateral Agent under the Loan Documents to which WFF is a party, and each Lender hereby irrevocably authorizes Agent and Collateral Agent to execute and deliver each such other Loan Document on its behalf and to take such other action on its behalf under the provisions of this Agreement and each other Loan Document and to exercise such powers and perform such duties as are expressly delegated to Agent or Collateral Agent (as the case may be) by the terms of this Agreement or any other Loan Document, together with such powers as are reasonably incidental thereto. Agent and Collateral Agent agree to act as such on the express conditions contained in this Section 16. The provisions of this Section 16 (other than the proviso to Section 16.11(d)) are solely for the benefit of Agent, Collateral Agent and the Lenders, and Loan Parties and their Subsidiaries shall have no rights as a third party beneficiary of any of the

provisions contained herein. Any provision to the contrary contained elsewhere in this Agreement or in any other Loan Document notwithstanding, neither Agent nor Collateral Agent shall have any duties or responsibilities, except those expressly set forth herein, nor shall Agent or Collateral Agent have or be deemed to have any fiduciary relationship with any Lender, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or any other Loan Document or otherwise exist against Agent or Collateral Agent; it being expressly understood and agreed that the use of the words "Agent" and "Collateral Agent" are for convenience only, that WFF is merely the representative of the Lenders, and only has the

contractual duties set forth herein. Except as expressly otherwise provided in this Agreement, each of Agent and Collateral Agent shall have and may use its sole discretion with respect to exercising or refraining from exercising any discretionary rights or taking or refraining from taking any actions that Agent or Collateral Agent (as the case may be) expressly is entitled to take or assert under or pursuant to this Agreement and the other Loan Documents. Without limiting the generality of the foregoing, or of any other provision of the Loan Documents that provides rights or powers to Agent and Collateral Agent, Lenders agree that each of Agent and Collateral Agent shall have the right to exercise the following powers as long as this Agreement remains in effect: (a) maintain, in accordance with its customary business practices, ledgers and records reflecting the status of the Obligations, the Collateral, the Collections of Loan Parties and their Subsidiaries, and related matters, (b) execute or file any and all financing or similar statements or notices, amendments, renewals, supplements, documents, instruments, proofs of claim, notices and other written agreements with respect to the Loan Documents, (c) make Advances, for itself or on behalf of Lenders as provided in the Loan Documents, (d) exclusively receive, apply, and distribute the Collections of Loan Parties and their Subsidiaries as provided in the Loan Documents, (e) open and maintain such bank accounts and cash management accounts as Agent or Collateral Agent deems necessary and appropriate in accordance with the Loan Documents for the foregoing purposes with respect to the Collateral and the Collections of Loan Parties and their Subsidiaries, (f) perform, exercise, and enforce any and all other rights and remedies of the Lender Group with respect to Loan Parties, the Obligations, the Collateral, the Collections of Loan Parties and their Subsidiaries, or otherwise related to any of same as provided in the Loan Documents, and (g) incur and pay such Lender Group Expenses as Agent or Collateral Agent may deem necessary or appropriate for the performance and fulfillment of its functions and powers pursuant to the Loan Documents. The appointment of the Collateral Agent pursuant hereto shall be in place of that certain Intercreditor and Collateral Agency Agreement executed and delivered pursuant to the Existing Loan Agreement, and such Intercreditor and Collateral Agency Agreement is hereby terminated.

16.2. DELEGATION OF DUTIES. Each of Agent and Collateral Agent may execute any of its duties under this Agreement or any other Loan Document by or

through agents, employees or attorneys-in-fact and shall be entitled to advice of counsel concerning all matters pertaining to such duties. Neither Agent nor Collateral Agent shall be responsible for the negligence or misconduct of any agent or attorney-in-fact that it selects as long as such selection was made without gross negligence or willful misconduct.

16.3. LIABILITY OF AGENT AND COLLATERAL AGENT. None of the Agent-Related Persons shall (i) be liable for any action taken or omitted to be taken by any of them under or in connection with this Agreement or any other Loan Document or the transactions contemplated hereby (except for its own gross negligence or willful misconduct), or (ii) be responsible in any manner to any of the Lenders for any recital, statement, representation or warranty made by any Loan Party or any Subsidiary or Affiliate of any Loan Party, or any officer or director thereof, contained in this Agreement or in any other Loan Document, or in any certificate, report, statement or other document referred to or provided for in, or received by Agent under or in connection with, this Agreement or any other Loan Document, or the validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or any other Loan Document, or for any failure of any Loan Party or any other party to any Loan Document to perform its obligations hereunder or thereunder. No Agent-Related Person shall be under any obligation to any Lender

to ascertain or to inquire as to the observance or performance of any of the agreements contained in, or conditions of, this Agreement or any other Loan Document, or to inspect the Books or properties of Loan Parties or the books or records or properties of any of Loan Parties' Subsidiaries or Affiliates.

16.4. RELIANCE BY AGENT AND COLLATERAL AGENT. Agent and Collateral Agent shall be entitled to rely, and shall be fully protected in relying, upon any writing, resolution, notice, consent, certificate, affidavit, letter, telegram, facsimile, telex or telephone message, statement or other document or conversation believed by it to be genuine and correct and to have been signed, sent, or made by the proper Person or Persons, and upon advice and statements of legal counsel (including counsel to Borrowers or counsel to any Lender), independent accountants and other experts selected by Agent or Collateral Agent. Agent and Collateral Agent shall be fully justified in failing or refusing to take any action under this Agreement or any other Loan Document unless Agent or Collateral Agent (as applicable) shall first receive such advice or concurrence of the Lenders as it deems appropriate and until such instructions are received, Agent or Collateral Agent (as applicable) shall act, or refrain from acting, as it deems advisable. If Agent or Collateral Agent so requests, it shall first be indemnified to its reasonable satisfaction by the Lenders against any and all liability and expense that may be incurred by it by reason of taking or continuing to take any such action. Agent and Collateral Agent shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement or any other Loan Document in accordance with a request or consent of

the requisite Lenders and such request and any action taken or failure to act pursuant thereto shall be binding upon all of the Lenders.

16.5. NOTICE OF DEFAULT OR EVENT OF DEFAULT. Neither Agent nor Collateral Agent shall be deemed to have knowledge or notice of the occurrence of any Default or Event of Default, except with respect to defaults in the payment of principal, interest, fees, and expenses required to be paid to Agent for the account of the Lenders and, except with respect to Events of Default of which Agent has actual knowledge, unless Agent shall have received written notice from a Lender or Administrative Borrower referring to this Agreement, describing such Default or Event of Default, and stating that such notice is a "notice of default." Agent promptly will notify the Lenders and Collateral Agent of its receipt of any such notice or of any Event of Default of which Agent has actual knowledge. If any Lender obtains actual knowledge of any Event of Default, such Lender promptly shall notify the other Lenders, Agent and Collateral Agent of such Event of Default. Each Lender shall be solely responsible for giving any notices to its Participants, if any. Subject to Section 16.4, Agent shall take such action, and direct Collateral Agent to take such action, with respect to such Default or Event of Default as may be requested by the Required Lenders in accordance with Section 9; provided, however, that unless and until Agent has received any such request, Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default or Event of Default as it shall deem advisable.

16.6. CREDIT DECISION. Each Lender acknowledges that none of the Agent-Related Persons has made any representation or warranty to it, and that no act by Agent or Collateral Agent hereinafter taken, including any review of the affairs of Loan Parties and their Subsidiaries or Affiliates, shall be deemed to constitute any representation or warranty by any Agent-Related Person to any Lender. Each Lender represents to Agent and Collateral Agent that

it has, independently and without reliance upon any Agent-Related Person and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, prospects, operations, property, financial and other condition and creditworthiness of Loan Parties and any other Person party to a Loan Document, and all applicable bank regulatory laws relating to the transactions contemplated hereby, and made its own decision to enter into this Agreement and to extend credit to Loan Parties. Each Lender also represents that it will, independently and without reliance upon any Agent-Related Person and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under this Agreement and the other Loan Documents, and to make such investigations as it deems necessary to inform itself as to the business, prospects, operations, property, financial and other condition and creditworthiness of Loan Parties and any other Person

party to a Loan Document. Except for notices, reports, and other documents expressly herein required to be furnished to the Lenders by Agent, Agent shall not have any duty or responsibility to provide any Lender with any credit or other information concerning the business, prospects, operations, property, financial and other condition or creditworthiness of Loan Parties and any other Person party to a Loan Document that may come into the possession of any of the Agent-Related Persons.

16.7. COSTS AND EXPENSES; INDEMNIFICATION. Each of Agent and Collateral Agent may incur and pay Lender Group Expenses to the extent Agent or Collateral Agent (as the case may be) reasonably deems necessary or appropriate for the performance and fulfillment of its functions, powers, and obligations pursuant to the Loan Documents, including court costs, attorneys fees and expenses, fees and expenses of financial accountants, advisors, consultants, and appraisers, costs of collection by outside collection agencies, auctioneer fees and expenses, and costs of security guards or insurance premiums paid to maintain the Collateral, whether or not Loan Parties are obligated to reimburse Agent or Lenders for such expenses pursuant to the Loan Agreement or otherwise. Each of Agent and Collateral Agent is authorized and directed to deduct and retain sufficient amounts from the Collections of Loan Parties and their Subsidiaries received by Agent or Collateral Agent (as the case may be) to reimburse Agent or Collateral Agent (as the case may be) for such out-of-pocket costs and expenses prior to the distribution of any amounts to Lenders. In the event Agent or Collateral Agent (as the case may be) is not reimbursed for such costs and expenses from the Collections of Loan Parties and their Subsidiaries received by Agent or Collateral Agent (as the case may be), each Lender hereby agrees that it is and shall be obligated to pay to or reimburse Agent or Collateral Agent (as the case may be) for the amount of such Lender's Pro Rata Share thereof. Whether or not the transactions contemplated hereby are consummated, the Lenders shall indemnify upon demand the Agent-Related Persons (to the extent not reimbursed by or on behalf of Loan Parties and without limiting the obligation of Loan Parties to do so), according to their Pro Rata Shares, from and against any and all Indemnified Liabilities; provided, however, that no Lender shall be liable for the payment to any Agent-Related Person of any portion of such Indemnified Liabilities resulting solely from such Person's gross negligence or willful misconduct nor shall any Lender be liable for the obligations of any Defaulting Lender in failing to make an Advance or other extension of credit hereunder. Without limitation of the foregoing, each Lender shall reimburse Agent and Collateral Agent upon demand for such Lender's Pro Rata Share of any costs or out-of-pocket expenses (including attorneys, accountants, advisors, and consultants fees and expenses) incurred by Agent or Collateral Agent (as the case may be)in connection with the preparation, execution, delivery, administration, modification, amendment, or enforcement

(whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement, any other

Loan Document, or any document contemplated by or referred to herein, to the extent that Agent or Collateral Agent is not reimbursed for such expenses by or on behalf of Loan Parties. The undertaking in this Section shall survive the payment of all Obligations hereunder and the resignation or replacement of Agent or Collateral Agent.

16.8. AGENT AND COLLATERAL AGENT IN INDIVIDUAL CAPACITY. WFF and its Affiliates may make loans to, issue letters of credit for the account of, accept deposits from, acquire equity interests in, and generally engage in any kind of banking, trust, financial advisory, underwriting, or other business with Borrowers and their Subsidiaries and Affiliates and any other Person party to any Loan Documents as though WFF were not Agent or Collateral Agent hereunder, and, in each case, without notice to or consent of the other members of the Lender Group. The other members of the Lender Group acknowledge that, pursuant to such activities, WFF or its Affiliates may receive information regarding Loan Parties or their Affiliates and any other Person party to any Loan Documents that is subject to confidentiality obligations in favor of Loan Parties or such other Person and that prohibit the disclosure of such information to the Lenders, and the Lenders acknowledge that, in such circumstances (and in the absence of a waiver of such confidentiality obligations, which waiver Agent will use its reasonable best efforts to obtain), Agent shall not be under any obligation to provide such information to them. The terms "Lender" and "Lenders" include WFF in its individual capacity.

16.9. SUCCESSOR AGENT. Any or both Agent and Collateral Agent may resign as Agent or Collateral Agent upon 45 days' notice to the Lenders. If Agent or Collateral Agent resigns under this Agreement, the Required Lenders shall appoint a successor Agent or Collateral Agent (as applicable) for the Lenders. If no successor Agent or Collateral Agent (as applicable) is appointed prior to the effective date of the resignation of Agent or Collateral Agent (as applicable), Agent may appoint, after consulting with the Lenders, a successor Agent or Collateral Agent (as applicable). If either Agent or Collateral Agent has materially breached or failed to perform any material provision of this Agreement or of applicable law, the Required Lenders may agree in writing to remove and replace Agent or Collateral Agent (as applicable) with a successor Agent or Collateral Agent (as applicable) from among the Lenders. In any such event, upon the acceptance of its appointment as successor Agent or Collateral Agent (as applicable) hereunder, such successor Agent or Collateral Agent (as applicable) shall succeed to all the rights, powers, and duties of the retiring Agent or Collateral Agent (as applicable) and the term "Agent" or "Collateral Agent" (as applicable) shall mean such successor Agent or Collateral Agent (as applicable) and the retiring Agent's or Collateral Agent's appointment, powers, and duties as Agent or Collateral Agent (as applicable) shall be terminated. After any retiring Agent's or Collateral Agent's resignation hereunder as Agent or Collateral Agent (as applicable), the provisions of this Section 16 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Agent or Collateral Agent (as applicable) under this Agreement. If no successor Agent or Collateral Agent (as applicable) has accepted appointment as Agent or Collateral Agent (as applicable) by the date which is 45 days following a retiring Agent's or Collateral Agent's (as applicable) notice of resignation, the retiring Agent's or Collateral Agent's (as applicable) resignation shall

nevertheless thereupon become effective and the Lenders shall perform all of the duties of Agent or Collateral Agent (as applicable) hereunder until such time, if any, as the Lenders appoint a successor Agent as provided for above.

16.10. LENDER IN INDIVIDUAL CAPACITY. Any Lender and its respective Affiliates may make loans to, issue letters of credit for the account of, accept deposits from, acquire equity interests in and generally engage in any kind of banking, trust, financial advisory, underwriting or other business with Loan Parties and their Subsidiaries and Affiliates and any other Person (other than the Lender Group) party to any Loan Documents as though such Lender were not a Lender hereunder without notice to or consent of the other members of the Lender Group. The other members of the Lender Group acknowledge that, pursuant to such activities, such Lender and its respective Affiliates may receive information regarding Loan Parties or their Affiliates and any other Person party to any Loan Documents that is subject to confidentiality obligations in favor of Loan Parties or such other Person and that prohibit the disclosure of such information to the Lenders, and the Lenders acknowledge that, in such circumstances (and in the absence of a waiver of such confidentiality obligations, which waiver such Lender will use its reasonable best efforts to obtain), such Lender not shall be under any obligation to provide such information to them. With respect to the Swing Loans and Agent Advances, Swing Lender shall have the same rights and powers under this Agreement as any other Lender and may exercise the same as though it were not the sub-agent of the Agent.

16.11. WITHHOLDING TAXES.

(a) If any Lender is a "foreign person" within the meaning of the IRC and such Lender claims exemption from, or a reduction of, U.S. withholding tax under Sections 1441 or 1442 of the IRC, such Lender agrees with and in favor of Agent and Borrowers, to deliver to Agent and Administrative Borrower:

(i) if such Lender claims an exemption from withholding tax pursuant to its portfolio interest exception, (A) a statement of the Lender, signed under penalty of perjury, that it is not a (I) a "bank" as described in Section 881(c)(3)(A) of the IRC, (II) a 10% shareholder of a Borrower (within the meaning of Section 871(h)(3)(B) of the IRC), or (III) a controlled foreign corporation related to a Borrower within the meaning of Section 864(d)(4) of the IRC, and (B) a properly completed and executed IRS Form W-8BEN, before the first payment of any interest under this Agreement and at any other time reasonably requested by Agent or Administrative Borrower;

(ii) if such Lender claims an exemption from, or a reduction of, withholding tax under a United States tax treaty, properly completed and executed IRS Form W-8BEN before the first payment of any interest under

this Agreement and at any other time reasonably requested by Agent or Administrative Borrower;

(iii) if such Lender claims that interest paid under this Agreement is exempt from United States withholding tax because it is effectively connected with a United States trade or business of such Lender, two properly completed and executed copies of IRS Form W-8ECI before the first payment of any interest is due under this Agreement and at any other time reasonably requested by Agent or Administrative Borrower;

(iv) such other form or forms as may be required under the IRC or other laws of the United States as a condition to exemption from, or reduction of, United States withholding tax.

Such Lender agrees promptly to notify Agent and Administrative Borrower of any change in circumstances which would modify or render invalid any claimed exemption or reduction.

(b) If any Lender claims exemption from, or reduction of, withholding tax under a United States tax treaty by providing IRS Form W-8BEN and such Lender sells, assigns, grants a participation in, or otherwise transfers all or part of the Obligations of Borrowers to such Lender, such Lender agrees to notify Agent of the percentage amount in which it is no longer the beneficial owner of Obligations of Borrowers to such Lender. To the extent of such percentage amount, Agent will treat such Lender's IRS Form W-8BEN as no longer valid.

(c) If any Lender is entitled to a reduction in the applicable withholding tax, Agent may withhold from any interest payment to such Lender an amount equivalent to the applicable withholding tax after taking into account such reduction. If the forms or other documentation required by subsection (a) of this Section are not delivered to Agent, then Agent may withhold from any interest payment to such Lender not providing such forms or other documentation an amount equivalent to the applicable withholding tax.

(d) If the IRS or any other Governmental Authority of the United States or other jurisdiction asserts a claim that Agent did not properly withhold tax from amounts paid to or for the account of any Lender (because the appropriate form was not delivered, was not properly executed, or because such Lender failed to notify Agent of a change in circumstances which rendered the exemption from, or reduction of, withholding tax ineffective, or for any other reason) such Lender shall indemnify and hold Agent harmless for all amounts paid, directly or indirectly, by Agent as tax or otherwise, including penalties and interest, and including any taxes imposed by any jurisdiction on the amounts payable to Agent under this Section, together with all costs and expenses (including attorneys fees and expenses). The obligation of the Lenders under

this subsection shall survive the payment of all Obligations and the resignation or replacement of Agent.

(e) All payments made by Borrowers hereunder or under any note or other Loan Document will be made without setoff, counterclaim, or other defense, except as required by applicable law other than for Taxes (as defined below). All such payments will be made free and clear of, and without deduction or withholding for, any present or future taxes, levies, imposts, duties, fees, assessments or other charges of whatever nature now or hereafter imposed by any jurisdiction (other than the United States) or by any political subdivision or taxing authority thereof or therein (other than of the United States) with respect to such payments (but excluding, any tax imposed by any jurisdiction or by any political subdivision or taxing authority thereof or therein (i) measured by or based on the net income or net profits of a Lender, or (ii) to the extent that such tax results from a change in the circumstances of the Lender, including a change in the residence, place of organization, or principal place of business of the Lender, or a change in the branch or lending office of the Lender participating in the transactions set forth herein) and all interest, penalties or similar liabilities with respect thereto (all such non-excluded taxes, levies, imposts, duties, fees, assessments or other charges being referred to collectively as

"Taxes"). If any Taxes are so levied or imposed, each Borrower agrees to pay the full amount of such Taxes, and such additional amounts as may be necessary so that every payment of all amounts due under this Agreement or under any note, including any amount paid pursuant to this Section 16.11(e) after withholding or deduction for or on account of any Taxes, will not be less than the amount provided for herein; provided, however, that Borrowers shall not be required to increase any such amounts payable to Agent or any Lender (i) that is not organized under the laws of the United States, if such Person fails to comply with the other requirements of this Section 16.11, or (ii) if the increase in such amount payable results from Agent's or such Lender's own willful misconduct or gross negligence. Borrowers will furnish to Agent as promptly as possible after the date the payment of any Taxes is due pursuant to applicable law certified copies of tax receipts evidencing such payment by Borrowers.

16.12. COLLATERAL MATTERS.

(a) The Lenders hereby irrevocably authorize each of Agent and Collateral Agent, at its option and in its sole discretion, to release or authorize the release of any Lien on any Collateral (i) upon the termination of the Commitments and payment and satisfaction in full by Loan Parties of all Obligations, (ii) constituting property being sold or disposed of if a release is required or desirable in connection therewith and if Administrative Borrower certifies to Agent that the sale or disposition is permitted under Section 7.4 of this Agreement or the other Loan Documents (and Agent and Collateral Agent

may rely conclusively on any such certificate, without further inquiry), (iii) constituting property in which no Loan Party or its Subsidiaries owned any interest at the time the Collateral Agent's Lien was granted nor at any time thereafter, or (iv) constituting property leased to a Loan Party or its Subsidiaries under a lease that has expired or is terminated in a transaction permitted under this Agreement. Except as provided above, neither Agent nor Collateral Agent will execute and deliver or authorize any release of any Lien on any Collateral without the prior written authorization of (y) if the release is of all or substantially all of the Collateral, all of the Lenders, or (z) otherwise, the Required Lenders. Upon request by Agent or Administrative Borrower at any time, the Lenders will confirm in writing Agent's or Collateral Agent's authority to release any such Liens on particular types or items of Collateral pursuant to this Section 16.12; provided, however, that (1) neither Agent nor Collateral Agent shall be required to execute any document necessary to evidence such release on terms that, in Agent's or Collateral Agent's opinion, would expose Agent or Collateral Agent to liability or create any obligation or entail any consequence other than the release of such Lien without recourse, representation, or warranty, and (2) such release shall not in any manner discharge, affect, or impair the Obligations or any Liens (other than those expressly being released) upon (or obligations of Loan Parties in respect of) all interests retained by Loan Parties, including, the proceeds of any sale, all of which shall continue to constitute part of the Collateral.

(b) Neither Agent nor Collateral Agent shall have any obligation whatsoever to any of the Lenders to assure that the Collateral exists or is owned by Borrowers or is cared for, protected, or insured or has been encumbered, or that the Collateral Agent's Liens have been properly or sufficiently or lawfully created, perfected, protected, or enforced or are entitled to any particular priority, or to exercise at all or in any particular manner or under any duty of care, disclosure or fidelity, or to continue exercising, any of the rights, authorities and powers granted or available to Agent or Collateral Agent pursuant to any of the Loan

Documents, it being understood and agreed that in respect of the Collateral, or any act, omission, or event related thereto, subject to the terms and conditions contained herein, each of Agent and Collateral Agent may act in any manner it may deem appropriate, in its sole discretion given its own interest in the Collateral in its capacity as one of the Lenders and that Agent and Collateral Agent shall have no other duty or liability whatsoever to any Lender as to any of the foregoing, except as otherwise provided herein.

16.13. RESTRICTIONS ON ACTIONS BY LENDERS; SHARING OF PAYMENTS.

(a) Each of the Lenders agrees that it shall not, without the express written consent of Agent, and that it shall, to the extent it is lawfully entitled to do so, upon the written request of Agent, set off against

the Obligations, any amounts owing by such Lender to Loan Parties or any deposit accounts of Loan Parties now or hereafter maintained with such Lender. Each of the Lenders further agrees that it shall not, unless specifically requested to do so in writing by Agent, take or cause to be taken any action, including, the commencement of any legal or equitable proceedings, to foreclose any Lien on, or otherwise enforce any security interest in, any of the Collateral.

(b) If, at any time or times any Lender shall receive (i) by payment, foreclosure, setoff, or otherwise, any proceeds of Collateral or any payments with respect to the Obligations, except for any such proceeds or payments received by such Lender from Agent pursuant to the terms of this Agreement, or (ii) payments from Agent in excess of such Lender's ratable portion of all such distributions by Agent, such Lender promptly shall (1) turn the same over to Agent, in kind, and with such endorsements as may be required to negotiate the same to Agent, or in immediately available funds, as applicable, for the account of all of the Lenders and for application to the Obligations in accordance with the applicable provisions of this Agreement, or (2) purchase, without recourse or warranty, an undivided interest and participation in the Obligations owed to the other Lenders so that such excess payment received shall be applied ratably as among the Lenders in accordance with their Pro Rata Shares; provided, however, that to the extent that such excess payment received by the purchasing party is thereafter recovered from it, those purchases of participations shall be rescinded in whole or in part, as applicable, and the applicable portion of the purchase price paid therefor shall be returned to such purchasing party, but without interest except to the extent that such purchasing party is required to pay interest in connection with the recovery of the excess payment.

16.14. AGENCY FOR PERFECTION. Collateral Agent hereby appoints Agent and each other Lender as its agent (and Agent and each Lender hereby accepts such appointment) for the purpose of perfecting the Collateral Agent's Liens in assets which, in accordance with Article 9 of the Code can be perfected only by possession or control. Should any Lender obtain possession or control of any such Collateral, such Lender shall notify Agent thereof, and, promptly upon Agent's request therefor shall deliver possession or control of such Collateral to Collateral Agent or in accordance with Agent's instructions.

16.15. PAYMENTS BY AGENT TO THE LENDERS. All payments to be made by Agent to the Lenders shall be made by bank wire transfer of immediately available funds pursuant to such wire transfer instructions as each party may designate for itself by written notice to Agent.

Concurrently with each such payment, Agent shall identify whether such payment (or any portion thereof) represents principal, premium, or interest of the Obligations.

16.16. CONCERNING THE COLLATERAL AND RELATED LOAN DOCUMENTS. Each member of the Lender Group authorizes and directs Agent and/or Collateral Agent, as applicable, to enter into this Agreement and the other Loan Documents. Each member of the Lender Group agrees that any action taken by Agent and/or Collateral Agent in accordance with the terms of this Agreement and the other Loan Documents relating to the Collateral and the exercise by Agent and/or Collateral Agent of its powers set forth therein or herein, together with such other powers that are reasonably incidental thereto, shall be binding upon all of the Lenders.

16.17. FIELD AUDITS AND EXAMINATION REPORTS; CONFIDENTIALITY; DISCLAIMERS BY LENDERS; OTHER REPORTS AND INFORMATION. By becoming a party to this Agreement, each Lender:

(a) is deemed to have requested that Agent furnish such Lender, promptly after it becomes available, a copy of each field audit, examination report or appraisal (each a "Report" and collectively, "Reports") prepared by Agent, and Agent shall so furnish each Lender with such Reports,

(b) expressly agrees and acknowledges that Agent does not (i) make any representation or warranty as to the accuracy of any Report, and (ii) shall not be liable for any information contained in any Report,

(c) expressly agrees and acknowledges that the Reports are not comprehensive audits or examinations, that Agent or other party performing any audit or examination will inspect only specific information regarding Loan Parties and will rely significantly upon the Books, as well as on representations of Loan Parties' personnel,

(d) agrees to keep all Reports and other material, non-public information regarding Loan Parties and their Subsidiaries and their operations, assets, and existing and contemplated business plans in a confidential manner in accordance with Section 17.8, and

(e) without limiting the generality of any other indemnification provision contained in this Agreement, agrees: (i) to hold Agent and any such other Lender preparing a Report harmless from any action the indemnifying Lender may take or fail to take or any conclusion the indemnifying Lender may reach or draw from any Report in connection with any loans or other credit accommodations that the indemnifying Lender has made or may make to Loan Parties, or the indemnifying Lender's participation in, or the indemnifying Lender's purchase of, a loan or loans of Borrowers; and (ii) to pay and protect, and indemnify, defend and hold Agent, and any such other Lender preparing a Report harmless from and against, the claims, actions, proceedings, damages, costs, expenses, and other amounts (including, attorneys fees and costs) incurred by Agent and any such other Lender preparing a Report as the direct or indirect result of any third parties who might obtain all or part of any Report through the indemnifying Lender.

In addition to the foregoing: (x) any Lender may from time to time request of Agent in writing that Agent provide to such Lender a copy of any report or

document provided by Loan Parties to

Agent that has not been contemporaneously provided by Loan Parties to such Lender, and, upon receipt of such request, Agent shall provide a copy of same to such Lender, (y) to the extent that Agent is entitled, under any provision of the Loan Documents, to request additional reports or information from Loan Parties, any Lender may, from time to time, reasonably request Agent to exercise such right as specified in such Lender's notice to Agent, whereupon Agent promptly shall request of Administrative Borrower the additional reports or information reasonably specified by such Lender, and, upon receipt thereof from Administrative Borrower, Agent promptly shall provide a copy of same to such Lender, and (z) any time that Agent renders to Administrative Borrower a statement regarding the Loan Account, Agent shall send a copy of such statement to each Lender.

16.18. SEVERAL OBLIGATIONS; NO LIABILITY. Notwithstanding that certain of the Loan Documents now or hereafter may have been or will be executed only by or in favor of Agent in its capacity as such, and not by or in favor of the Lenders, any and all obligations on the part of Agent (if any) to make any credit available hereunder shall constitute the several (and not joint) obligations of the respective Lenders on a ratable basis, according to their respective Commitments, to make an amount of such credit not to exceed, in principal amount, at any one time outstanding, the amount of their respective Commitments. Nothing contained herein shall confer upon any Lender any interest in, or subject any Lender to any liability for, or in respect of, the business, assets, profits, losses, or liabilities of any other Lender. Each Lender shall be solely responsible for notifying its Participants of any matters relating to the Loan Documents to the extent any such notice may be required, and no Lender shall have any obligation, duty, or liability to any Participant of any other Lender. Except as provided in Section 16.7, no member of the Lender Group shall have any liability for the acts or any other member of the Lender Group. No Lender shall be responsible to any Borrower or any other Person for any failure by any other Lender to fulfill its obligations to make credit available hereunder, nor to advance for it or on its behalf in connection with its Commitment, nor to take any other action on its behalf hereunder or in connection with the financing contemplated herein.

17. GENERAL PROVISIONS.

17.1. EFFECTIVENESS. This Agreement shall be binding and deemed effective when executed by Loan Parties, Agent, and each Lender whose signature is provided for on the signature pages hereof.

17.2. SECTION HEADINGS. Headings and numbers have been set forth herein for convenience only. Unless the contrary is compelled by the context, everything contained in each Section applies equally to this entire Agreement.

17.3. INTERPRETATION. Neither this Agreement nor any uncertainty or ambiguity herein shall be construed or resolved against the Lender Group or Loan Parties, whether under any rule of construction or otherwise. On the contrary, this Agreement has been reviewed by all parties and shall be construed and interpreted according to the ordinary meaning of the words used so as to accomplish fairly the purposes and intentions of all parties hereto.

17.4. SEVERABILITY OF PROVISIONS. Each provision of this Agreement shall be severable from every other provision of this Agreement for the purpose of determining the legal enforceability of any specific provision.

17.5. AMENDMENTS IN WRITING. This Agreement only can be amended by a writing in accordance with Section 15.1.

17.6. COUNTERPARTS; TELEFACSIMILE EXECUTION. This Agreement may be executed in any number of counterparts and by different parties on separate counterparts, each of which, when executed and delivered, shall be deemed to be an original, and all of which, when taken together, shall constitute but one and the same Agreement. Delivery of an executed counterpart of this Agreement by telefacsimile shall be equally as effective as delivery of an original executed counterpart of this Agreement. Any party delivering an executed counterpart of this Agreement by telefacsimile also shall deliver an original executed counterpart of this Agreement but the failure to deliver an original executed counterpart shall not affect the validity, enforceability, and binding effect of this Agreement. The foregoing shall apply to each other Loan Document mutatis mutandis.

17.7. REVIVAL AND REINSTATEMENT OF OBLIGATIONS. If the incurrence or payment of the Obligations by any Borrower or Guarantor or the transfer to the Lender Group of any property should for any reason subsequently be declared to be void or voidable under any state or federal law relating to creditors' rights, including provisions of the Bankruptcy Code relating to fraudulent conveyances, preferences, or other voidable or recoverable payments of money or transfers of property (collectively, a "Voidable Transfer"), and if the Lender Group is required to repay or restore, in whole or in part, any such Voidable Transfer, or elects to do so upon the reasonable advice of its counsel, then, as to any such Voidable Transfer, or the amount thereof that the Lender Group is required or elects to repay or restore, and as to all reasonable costs, expenses, and attorneys fees of the Lender Group related thereto, the liability of Borrowers or Guarantor automatically shall be revived, reinstated, and restored and shall exist as though such Voidable Transfer had never been made.

17.8. CONFIDENTIALITY. The Agent, Collateral Agent and the Lenders each individually (and not jointly or jointly and severally) agree that material, non-public information regarding Borrowers and their Subsidiaries,

their operations, assets, and existing and contemplated business plans shall be treated by Agent, Collateral Agent and the Lenders in a confidential manner, and shall not be disclosed by Agent and the Lenders to Persons who are not parties to this Agreement, except: (a) to attorneys for and other advisors, accountants, auditors, and consultants to any member of the Lender Group, (b) to Subsidiaries and Affiliates of any member of the Lender Group (including the Bank Product Providers), provided that any such Subsidiary or Affiliate shall have agreed to receive such information hereunder subject to the terms of this Section 17.8, (c) as may be required by statute, decision, or judicial or administrative order, rule, or regulation, (d) as may be agreed to in advance by Administrative Borrower or its Subsidiaries or as requested or required by any Governmental Authority pursuant to any subpoena or other legal process, (e) as to any such information that is or becomes generally available to the public (other than as a result of prohibited disclosure by Agent, Collateral Agent or the Lenders), (f) in connection with any assignment, prospective assignment, sale, prospective sale, participation or prospective participations, or pledge or prospective pledge

of any Lender's interest under this Agreement, provided that any such assignee, prospective assignee, purchaser, prospective purchaser, participant, prospective participant, pledgee, or prospective pledgee shall have agreed in writing to receive such information hereunder subject to the terms of this Section, and (g) in connection with any litigation or other adversary proceeding involving parties hereto which such litigation or adversary proceeding involves claims related to the rights or duties of such parties under this Agreement or the other Loan Documents. The provisions of this Section 17.8 shall survive for 2 years after the payment in full of the Obligations. Anything contained herein or in any other Loan Document to the contrary notwithstanding, the obligations of confidentiality contained herein and therein, as they relate to the transactions contemplated hereby, shall not apply to the federal tax structure or federal tax treatment of such transactions, and each party hereto (and any employee, representative, or agent of any party hereto) may disclose to any and all Persons, without limitation of any kind, the federal tax structure and federal tax treatment of such transactions (including all written materials related to such tax structure and tax treatment). The preceding sentence is intended to cause the transactions contemplated hereby to not be treated as having been offered under conditions of confidentiality for purposes of Section 1.6011-4(b)(3) (or any successor provision) of the Treasury Regulations promulgated under Section 6011 of the IRC, and shall be construed in a manner consistent with such purpose. In addition, each party hereto acknowledges that it has no proprietary or exclusive rights to the tax structure of the transactions contemplated hereby or any tax matter or tax idea related thereto.

17.9. INTEGRATION. This Agreement, together with the other Loan Documents, reflects the entire understanding of the parties with respect to the transactions contemplated hereby and shall not be contradicted or qualified by

any other agreement, oral or written, before the date hereof.

17.10. PARENT AS AGENT FOR BORROWERS. Each Borrower hereby irrevocably appoints Parent as the borrowing agent and attorney-in-fact for all Borrowers (the "Administrative Borrower") which appointment shall remain in full force and effect unless and until Agent shall have received prior written notice signed by each Borrower that such appointment has been revoked and that another Borrower has been appointed Administrative Borrower. Each Borrower hereby irrevocably appoints and authorizes the Administrative Borrower (i) to provide Agent with all notices with respect to Advances and Letters of Credit obtained for the benefit of any Borrower and all other notices and instructions under this Agreement and (ii) to take such action as the Administrative Borrower deems appropriate on its behalf to obtain Advances and Letters of Credit and to exercise such other powers as are reasonably incidental thereto to carry out the purposes of this Agreement. It is understood that the handling of the Loan Account and Collateral of Borrowers in a combined fashion, as more fully set forth herein, is done solely as an accommodation to Borrowers in order to utilize the collective borrowing powers of Borrowers in the most efficient and economical manner and at their request, and that Lender Group shall not incur liability to any Borrower as a result hereof. Each Borrower expects to derive benefit, directly or indirectly, from the handling of the Loan Account and the Collateral in a combined fashion since the successful operation of each Borrower is dependent on the continued successful performance of the integrated group. To induce the Lender Group to do so, and in consideration thereof, each Borrower hereby jointly and severally agrees to indemnify each member of the Lender Group and hold each member of the Lender Group harmless against any and all liability, expense, loss or claim of damage or

injury, made against the Lender Group by any Borrower or by any third party whosoever, arising from or incurred by reason of (a) the handling of the Loan Account and Collateral of Borrowers as herein provided, (b) the Lender Group's relying on any instructions of the Administrative Borrower, or (c) any other action taken by the Lender Group hereunder or under the other Loan Documents, except that Borrowers will have no liability to the relevant Agent-Related Person or Lender-Related Person under this Section 17.10 with respect to any liability that has been finally determined by a court of competent jurisdiction to have resulted solely from the gross negligence or willful misconduct of such Agent-Related Person or Lender-Related Person, as the case may be.

18. GUARANTY.

18.1. GUARANTY; LIMITATION OF LIABILITY. Each Guarantor hereby unconditionally and irrevocably jointly and severally guarantees the punctual payment when due, whether at stated maturity, by acceleration or otherwise, of all Obligations of Borrowers now or hereafter existing under any Loan Document, whether for principal, interest fees, expenses or otherwise (such obligations,

to the extent not paid by Borrowers, being the "Guaranteed Obligations"), and agrees to pay any and all reasonable expenses (including reasonable counsel fees and expenses) incurred by Agent, Collateral Agent and Lenders in enforcing any rights under the guaranty set forth in this Section 18. Without limiting the generality of the foregoing, the Guarantors' liability shall extend to all amounts that constitute part of the Guaranteed Obligations and would be owed by Borrowers to Lenders under any Loan Document but for the fact that they are unenforceable or not allowable due to the existence of a bankruptcy, reorganization or similar proceeding involving Borrower.

18.2. GUARANTY ABSOLUTE. Each Guarantor guarantees that the Guaranteed Obligations will be paid strictly in accordance with the terms of the Loan Documents, regardless of any law, regulation or order now or hereafter in effect in any jurisdiction affecting any of such terms or the rights of Lenders with respect thereto. The obligations of each Guarantor under this Section 18 are independent of the Guaranteed Obligations, and a separate action or actions may be brought and prosecuted against each Guarantor to enforce such obligations, irrespective of whether any action is brought against any Borrower or whether any Borrower is joined in any such action or actions. The liability of each Guarantor under this Section 18 shall be irrevocable, absolute and unconditional irrespective of, and each Guarantor hereby irrevocably waives any defenses it may now or hereafter have in any way relating to, any or all of the following:

(a) any lack of validity or enforceability of any Loan Document or any agreement or instrument relating thereto;

(b) any change in the time, manner or place of payment of, or in any other term of, all or any of the Guaranteed Obligations, or any other amendment or waiver of or any consent to departure from any Loan Document, including, without limitation, any increase in the Guaranteed Obligations resulting from the extension of additional credit to any Borrower or otherwise;

(c) any taking, exchange, release or non-perfection of any Collateral, or any taking, release or amendment or waiver of or consent to departure from any other guaranty, for all or any of the Guaranteed Obligations;

(d) any change, restructuring or termination of the corporate structure or existence of any Borrower or Guarantor; or

(e) any other circumstance (including, without limitation, any statute of limitations) or any existence of or reliance on any representation by Lenders that might otherwise constitute a defense available to, or a discharge of, any Guarantor, any Borrower or any other guarantor or surety.

This Section 18 shall continue to be effective or be reinstated, as the case may

be, if at any time any payment of any of the Guaranteed Obligations is rescinded or must otherwise be returned by Lenders or any other Person, all as though such payment had not been made.

18.3. WAIVER. Each Guarantor hereby waives promptness, diligence, notice of acceptance and any other notice with respect to any of the Guaranteed Obligations and this Section 18 and any requirement that Collateral Agent, Agent or Lenders exhaust any right or take any action against Borrowers or any other Person or any Collateral. Each Guarantor acknowledges that it will receive direct and indirect benefits from the financing arrangements contemplated herein and that the waiver set forth in this Section 18 is knowingly made in contemplation of such benefits. Each Guarantor hereby waives any right to revoke this Section 18, and acknowledges that this Section 18 is continuing in nature and applies to all Guaranteed Obligations, whether existing now or in the future.

18.4. CONTINUING GUARANTY; ASSIGNMENTS. This Section 18 is a continuing guaranty and shall (a) remain in full force and effect until the later of the cash payment in full of the Guaranteed Obligations (other than indemnification obligations as to which no claim has been made) and all other amounts payable under this Section 18 and the Maturity Date, (b) be binding upon each Guarantor, their respective successors and assigns and (c) inure to the benefit of and be enforceable by Agent, Collateral Agent and Lenders and its successors, pledgees, transferees and assigns. Without limiting the generality of the foregoing clause (c), any Lender may pledge, assign or otherwise transfer all or any portion of its rights and obligations under this Agreement (including, without limitation, all or any portion of its loans owing to it and any note held by it) to any other Person, and such other Person shall thereupon become vested with all the benefits in respect thereof granted such Lender herein or otherwise, in each case as provided in Section 14.1.

18.5. SUBROGATION. No Guarantor will exercise any rights that it may now or hereafter acquire against any Borrower or any other insider guarantor that arise from the existence, payment, performance or enforcement of such Guarantor's obligations under this Section 18, including, without limitation, any right of subrogation, reimbursement, exoneration, contribution or indemnification and any right to participate in any claim or remedy of Lenders against any Borrower or any other insider guarantor or any Collateral, whether or not such claim, remedy or right arises in equity or under contract, statute or common law, including, without limitation, the right to take or receive from any Borrower or any other insider guarantor, directly

or indirectly, in cash or other property or by set-off or in any other manner, payment or security solely on account of such claim, remedy or right, unless and until all of the Guaranteed Obligations and all other amounts payable under this Section 18 shall have been paid in full in cash and this Agreement shall have

terminated. If any amount shall be paid to any Guarantor in violation of the immediately preceding sentence at any time prior to the later of the payment in full in cash of the Guaranteed Obligations and all other amounts payable under this Section 18 and the termination of this Agreement, such amount shall be held in trust for the benefit of Lenders and shall forthwith be paid to Agent to be credited and applied to the Guaranteed Obligations and all other amounts payable under this Section 18, whether matured or unmatured, in accordance with the terms of this Agreement, or to be held as collateral for any Guaranteed Obligations or other amounts payable under this Section 18 thereafter arising. If (i) any Guarantor shall make payment to Lenders of all or any part of the Guaranteed Obligations, (ii) all of the Guaranteed Obligations and all other amounts payable under this Section 18 shall be paid in full in cash and (iii) this Agreement has terminated, Lenders will, at such Guarantor's request and expense, execute and deliver to such Guarantor appropriate documents, without recourse and without representation or warranty, necessary to evidence the transfer by subrogation to such Guarantor of an interest in the Guaranteed Obligations resulting from such payment by such Guarantor.

18.6. JOINT AND SEVERAL OBLIGATIONS. All of the Guaranteed Obligations of the Guarantors hereunder and the other Loan Documents are joint and several. Lenders may, in their sole and absolute discretion, enforce the provisions hereof against any of the Guarantors, and shall not be required to proceed against all Guarantors jointly or seek payment from the Guarantors ratably.

18.7. JUDGMENT CURRENCY. The specification under this Agreement of US Dollars and payment in New York City is of the essence. Each Guarantor's obligations hereunder and under the other Loan Documents to make payments in US Dollars shall not be discharged or satisfied by any tender or recovery pursuant to any judgment expressed in or converted into any currency other than US Dollars, except to the extent that such tender or recovery results in the effective receipt by Lender Group and Agent of the full amount of US Dollars expressed to be payable to the Agent and Lender Group under this Agreement or the other Loan Documents. If, for the purpose of obtaining or enforcing judgment in any court, it is necessary to convert into or from any currency other than US Dollars (such other currency being hereinafter referred to as the "Judgment Currency") an amount due in US Dollars, the rate of exchange used shall be that at which Lender Group or Agent could, in accordance with normal banking procedures, purchase US Dollars with the Judgment Currency on the Business Day preceding that on which final judgment is given. The obligation of each Guarantor in respect of any such sum due from it to Lender Group or Agent hereunder shall, notwithstanding any judgment in such Judgment Currency, be discharged only to the extent that, on the Business Day immediately following the date on which Lender Group or Agent receives any sum adjudged to be so due in the Judgment Currency, Lender Group or Agent may, in accordance with normal banking procedures, purchase US Dollars with the Judgment Currency. If the US Dollars so purchased are less than the sum originally due to Agent or Lender Group in US Dollars, each Guarantor agrees, as a separate obligation and notwithstanding any such judgment, to indemnify Lender Group and the Agent against such loss, and if the US Dollars so purchased exceed the

sum originally due to Lender Group or the Agent in US Dollars, the applicable Lender and Agent severally agree to remit to such Guarantor such excess.

18.8. CONFLICTS. Solely with respect to the Canadian Guarantors, this Section 18 is intended to supplement, but not replace or amend, the Canadian Guaranty, and in the case of any conflict or inconsistency between any terms of this Section 18, on the one hand, and the Canadian Guaranty, on the other hand, then the terms of the Canadian Guaranty shall be controlling.

19. NO NOVATION. Each Existing Loan Party hereby (i) confirms and agrees that each Loan Document to which it is a party is, and shall continue to be, in full force and effect without modification or replacement, except as expressly set forth herein or therein, and is hereby ratified and confirmed in all respects except that on and after the Closing Date all references in any such Loan Document to "the Loan Agreement," "thereto," "thereof," "thereunder" or words of like import referring to the Existing Loan Agreement shall mean the Existing Loan Agreement as amended and restated by this Agreement and (ii) confirms and agrees that to the extent that any such Loan Document purports to assign or pledge to the Collateral Agent a security interest in or Lien on, any Collateral as security for the obligations of the Borrowers or the Guarantors from time to time existing in respect of the Existing Loan Agreement and the Loan Documents, such pledge, assignment and/or grant of the security interest or Lien is hereby ratified and confirmed in all respects and shall continue to secure the Obligations hereunder.

[Signature page to follow.]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and delivered as of the date first above written.

BORROWERS:

SOURCE INTERLINK COMPANIES, INC.
a Delaware corporation,
as successor by merger to
SOURCE INTERLINK COMPANIES, INC.,
a Missouri corporation

SOURCE U.S. MARKETING SERVICES, INC.
a Delaware corporation

BRAND MANUFACTURING CORP.

a New York corporation

SOURCE-MYCO, INC.
a Delaware corporation

SOURCE-YEAGER INDUSTRIES, INC.
a Delaware corporation

SOURCE-HUCK STORE FIXTURE COMPANY
a Delaware corporation

HUCK STORE FIXTURE COMPANY OF NORTH CAROLINA
a North Carolina corporation

INTERNATIONAL PERIODICAL DISTRIBUTORS, INC.
a Nevada corporation

SOURCE INTERLINK INTERNATIONAL INC.
a Delaware corporation

PRIMARY SOURCE, INC.
a Delaware corporation

SOURCE HOME ENTERTAINMENT, INC.
a Delaware corporation

By: /s/ Marc Fierman

Name: Marc Fierman
Title: Executive Vice President & Chief Financial Officer

ALLIGATOR ACQUISITION LLC
as successor by merger to
ALLIANCE ENTERTAINMENT CORP.,
a Delaware corporation

By: SOURCE INTERLINK COMPANIES, INC.
its sole member

By: /s/ Marc Fierman

Name: Marc Fierman
Title: Executive Vice President & Chief Financial Officer

AEC ONE STOP GROUP, INC.
a Delaware corporation

By: /s/ Marc Fierman

Name: Marc Fierman
Title: Executive Vice President &
Chief Financial Officer

AEC SUPERMARKET SERVICES GROUP, LLC
a Delaware limited liability company

By: AEC ONE STOP GROUP, INC.
its sole member

By: /s/ Marc Fierman

Name: Marc Fierman
Title: Executive Vice President &
Chief Financial Officer

GUARANTORS:

THE SOURCE-CANADA CORP.
an Ontario corporation

SOURCE INTERLINK CANADA INC.
a British Columbia corporation

SOURCE-CHESTNUT DISPLAY SYSTEMS, INC.
a Delaware corporation

T.C.E. CORPORATION
a Delaware corporation

VAIL COMPANIES, INC.
a Delaware corporation

THE INTERLINK COMPANIES, INC.
a Delaware corporation

DAVID E. YOUNG, INC.
a New York corporation

By: /s/ Marc Fierman

Name: Marc Fierman
Title: Executive Vice President &
Chief Financial Officer

DISTRIBUTION & FULFILLMENT SERVICES
GROUP, INC.,
a Delaware corporation

A.E. LAND CORP.
a Delaware corporation

AEC DIRECT, INC.
a Delaware corporation

By: /s/ Marc Fierman

Name: Marc Fierman
Title: Executive Vice President &
Chief Financial Officer

WELLS FARGO FOOTHILL, INC.
a California corporation, as Agent and
Collateral Agent and as a Lender

By: /s/ Dennis J. Rebman

Name: Dennis J. Rebman
Title: Vice President

EXHIBIT 10.49

EXECUTIVE EMPLOYMENT AGREEMENT

ENTERED INTO on February 28, 2005 by and between Alan Tuchman ("EXECUTIVE"), an individual presently domiciled in Coral Springs, Florida, and SOURCE INTERLINK COMPANIES, INC. (the "COMPANY"), a Missouri corporation having its principal executive offices at 27500 Riverview Center Blvd., Suite 400, Bonita Springs, Florida 34134.

WHEREAS, the Company desires to assure itself of the benefit of Executive's services and experience, and

WHEREAS, Executive desires to enter into the employ of the Company under the terms and provisions set forth in this Agreement,

NOW, THEREFORE, with the intent to be legally bound, the Company and Executive do hereby covenant and agree as follows.

Section 1. Employment of Executive.

1.1. The Company hereby agrees to employ Executive in the positions described in Section 1.2 below, and Executive hereby accepts such employment, under the terms and provisions set forth in this Agreement.

1.2. During the Period of Employment (defined in Section 2. below), Executive shall serve in the position of Executive Vice President of the Company reporting directly to the Company's Chief Operating Officer ("Executive's Supervisor") and based at the Company's offices in Coral Springs, Florida. Executive shall have the usual and customary duties, responsibilities and authority of executive vice president, and shall perform such other and additional duties and responsibilities as are consistent with that position and as the Board of Directors of Source Interlink Companies, Inc. (the "BOARD") or the Executive's Supervisor may reasonably require.

1.3. Executive shall devote all of his working time, attention and energy using his best efforts to the performance of his duties and responsibilities, and shall apply the level of skill, diligence, energy, and cooperation to protecting and advancing the interests of the Company and its subsidiaries as can be reasonably expected from a faithful, dedicated, experienced and prudent corporate executive (as applicable under this Section 1) under similar circumstances.

Section 2. Term of Employment.

The term of employment of Executive under this Agreement shall be a five-year period commencing on the date on date hereof and expiring on February 28, 2010 (the "PERIOD OF EMPLOYMENT"). Not later than One Hundred Eighty (180) days prior to the expiration of the Period of Employment, the Company and the

Executive will meet to discuss their respective intentions concerning the continued employment of Executive following the expiration of the Period of Employment.

Section 3. Early Termination.

3.1. Notwithstanding the provisions of Section 2 hereof, the Period of Employment shall be subject to early termination at any time:

(a) at the Company's election, by dismissal of Executive from employment with or without Proper Cause (defined in Section 3.2 below) pursuant to resolution of the Board, or

(b) at the Company's election, upon determination of Disability of Executive pursuant to Section 3.3 below, or

(c) upon death of Executive, or

(d) at Executive's election, by voluntary resignation upon 30 days' advance written notice, with or without Good Reason (defined in Section 3.5 below).

In the event of early termination pursuant to the foregoing paragraphs (a), (b), (c) or (d), the Company's obligations to Executive shall be as set forth in Sections 3.2, 3.3, 3.4 or 3.5, respectively; and Executive shall have no other rights or claims under this Agreement except for (i) reimbursement of previously incurred expenses pursuant to Section 5.1 below and (ii) indemnification pursuant to Section 5.2 below.

3.2. (a) In the event of early termination pursuant to Section 3.1(a) without Proper Cause, the Company shall be and remain obligated to pay and provide to Executive (or his estate) during the remainder of the Period of Employment provided for under Section 2.:

(i) The Base Compensation provided for under Section 4.1 below at the annual salary rates stated therein without further adjustment.

(ii) The right to continued participation in the Company's healthcare plan (referred to in Section 4.4 below) under and subject to the same terms and provisions (including without limitation contribution to premiums, deductibles, co-payments and caps) as are applicable during such period to the Company's executive officers generally.

(b) In the event of early termination pursuant to Section 3.1(a) with Proper Cause, the Company shall thereupon be relieved of its obligations to pay or provide any and all compensation and benefits under Section 4 hereof (except for accrued and unpaid items).

(c) The occurrence of any of the following events or circumstances shall constitute "PROPER CAUSE" for dismissal of Executive from employment under

this Agreement:

(i) Disclosure to third parties of trade secrets or other Confidential Information (defined in Section 6 below), or any other misuse or misappropriation thereof, by Executive in violation of the obligations imposed by Section 6 hereof;

(ii) Violation by Executive of the restrictions imposed by Section 7 of this Agreement on competitive activities by Executive;

(iii) Abandonment by Executive of his employment with the Company or any subsidiary or repeated and deliberate failure or refusal by Executive to fulfill his duties and responsibilities under this Agreement in any material respect and Executive's failure or refusal to initiate corrective action within 10 days after written notice by the Company setting forth in reasonable detail the conditions alleged to be encompassed by the foregoing clause;

(iv) Perpetration of any defalcations by Executive or any other act of financial dishonesty or theft affecting the Company or any of its subsidiaries;

(v) Willful, reckless or grossly negligent conduct by Executive entailing a material violation of the laws or governmental regulations or orders applicable to the Company or its subsidiaries, or imposition by any court or governmental agency of any material restriction upon Executive's ability to perform his duties and responsibilities hereunder;

(vi) Repeated and deliberate failure or refusal by Executive to comply with lawful policies of the Company or lawful directives of the Board;

(vii) Conviction of Executive of a crime in any federal, state or foreign court, or entry of any governmental decree or order against Executive based upon violation of any federal, state or foreign law, and the determination by the Board, made in its reasonable discretion, that, in the circumstances, the continued association of Executive with the Company will, more likely than not, have a material adverse effect upon the Company, its business or its reputation.

3.3. The term of employment of Executive under this Agreement may be terminated at the election of the Company upon a determination by the Board, made in its reasonable discretion, that Executive is, or will be, unable, by reason of physical or mental incapacity ("DISABILITY") whether caused by accident, illness, disease or otherwise, to substantially perform the material duties and responsibilities assigned to him pursuant to this Agreement for a period longer than 90 consecutive days or more than 180 days in any consecutive 12-month period. In the exercise of its discretion, the Board shall give due consideration to, among such other factors as it deems appropriate to the best interests of the Company, the opinion of Executive's personal physician or

physicians and the opinion of any physician or physicians selected by the Board for these purposes. Executive shall submit to examination by any physician or physicians so selected by the Board, and shall otherwise cooperate with the Board in making the determination contemplated hereunder (such cooperation to include without limitation consenting to the release of information by any such physician(s) to the Board). In the event of early termination for Disability pursuant to Section 3.1(b), the Company shall thereupon be relieved of its obligations to pay or provide any and all compensation and benefits under Section 4 hereof (except for accrued and unpaid items), but shall be obligated to provide to Executive:

(a) For the period commencing on the date of early termination and ending on the expiration of 24 full calendar months next following the date of early termination, a disability

income benefit, payable in monthly installments, in an amount equal to 50% of the annual rate of Base Compensation provided for under Sections 4.1 below, at the annual salary rate in effect on the date of determination of Disability without further adjustment;

(b) For the period commencing on the date which is 24 full calendar months following the date of early termination, a supplemental disability income benefit equal to $12,000 per month for the period commencing on the date of early termination and ending on March 24, 2024 or Executive's earlier death; and

(c) The right to continued participation in the Company's healthcare plan (referred to in Section 4.4 below) under and subject to the same terms and provisions (including without limitation contribution to premiums, deductibles, co-payments and caps) as are applicable during such period to the Company's executive officers generally.

The Company shall be entitled to credit, against its obligation to pay the foregoing benefits, the amounts received from time to time by Executive pursuant to any disability income insurance policy maintained by the Company or under the Source Interlink Companies, Inc. Supplemental Executive Retirement Plan dated as of March 1, 2005, if Executive shall be a participant therein.

3.4. In the event of early termination pursuant to Section 3.1(c), the Company shall thereupon be relieved of its obligations to pay or provide any and all compensation and benefits under Section 4 hereof (except for accrued and unpaid items).

3.5 (a) In the event of early termination pursuant to Section 3.1(d) with Good Reason, the provisions of Section 3.2(a) shall apply.

(b) In the event of early termination pursuant to Section 3.1(d)

without Good Reason, the provisions of Section 3.2(b) shall apply.

(c) The occurrence of any of the following events or circumstances shall constitute "GOOD REASON" under this Agreement.

(i) repeated and deliberate failure by the Company to substantially comply with its obligations to pay or provide the compensation, benefits and other amounts due and payable to Executive under Sections 4 and 5 below;

(ii) a material reduction in Executive's duties, responsibilities and authority during the Period of Employment; and

in the case of clause (i) or (ii), the failure or refusal by the Company (and/or any successor in interest to the Company) to initiate corrective action within 30 days after written notice by Executive to the Secretary of the Company setting forth in reasonable detail the conditions alleged to be encompassed by the foregoing clause (i) or (ii);

(iii) a Change of Control (defined in Section 3.5(d)).

(d) The occurrence of any of the following events or circumstances shall constitute a "CHANGE OF CONTROL" under this Agreement.

(i) A change in the composition of the Board, as a result of which fewer than one-half (1/2) of the incumbent directors are directors who either: (A) had been directors of the Company on the first day of the Period of Employment (the "ORIGINAL DIRECTORS"); or (B) were elected, or nominated for election, to the Board with the affirmative votes of at least a majority of the aggregate of the Original Directors who were still in office at the time of the election or nomination and the directors whose election or nomination was previously so approved (the "CONTINUING DIRECTORS"); or

(ii) Any "PERSON" (defined below) who by the acquisition or aggregation of securities, is or becomes the "BENEFICIAL OWNER" (defined in Rule 13d-3 under the Securities Exchange Act of 1934, as amended), directly or indirectly, of securities of the Company representing 50% or more of the combined voting power of the Company's then outstanding securities ordinarily (and apart from rights accruing under special circumstances) having the right to vote at elections of directors (the "BASE CAPITAL STOCK"); except that any change in the relative beneficial ownership of the Company's securities by any person resulting solely from a reduction in the aggregate number of outstanding shares of Base Capital Stock, and any decrease thereafter in such person's ownership of securities, shall be disregarded until such person increases in any manner, directly or indirectly, such person's beneficial ownership of any securities of the Company; or

(iii) The consummation of a merger or consolidation of the Company with or into another entity or any other corporate reorganization in which the Company is not the acquiring entity for accounting purposes; or

(iv) The consummation of a sale, transfer or other disposition of all or substantially all of the Company's assets.

For purposes of subsection (ii) above, the term "person" shall have the same meaning as when used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended, but shall exclude (1) a trustee or other fiduciary holding securities under an employee benefit plan maintained by the Company or a parent or subsidiary and (2) a corporation owned directly or indirectly by the shareholders of the Company in substantially the same proportions as their ownership of the common stock of the Company.

Any other provision of this Section 3.5(d) notwithstanding, no event shall constitute a Change of Control under this Agreement if: (A) the sole purpose of the event was to change the state of the Company's incorporation or to create a holding company that will be owned in substantially the same proportions by the persons who held the Company's securities immediately before such transaction; (B) the event was contemplated by that certain Agreement and Plan of Merger, dated November 18, 2004, by and among Source Interlink Companies, Inc., Alliance Entertainment Corp. and Alligator Acquisition, LLC; or (C) following such event, S. Leslie Flegel is employed by the Company or any successor entity with the duties and responsibilities of such entity's principal executive officer.

Section 4. Compensation and Benefits. As consideration for Executive's undertakings set forth in this Agreement and his/her services hereunder, the Company shall pay and provide to Executive during the Period of Employment hereunder, and Executive hereby agrees to accept, the compensation and benefits described in Sections 4.1, 4.2, 4.3, 4.4 and 4.5 below.

4.1. The Company shall pay to Executive Base Compensation in the form of salary at the following annual rates: (a) during the period from the first day of the Period of Employment through and including January 31, 2006--Four Hundred Seventy-Five Thousand Dollars ($475,000); (b) during the period from February 1, 2006 through and including January 31, 2007--Five Hundred Thousand Dollars ($500,000); (c) during the period from February 1, 2007 through and including January 31, 2008--Five Hundred Twenty Thousand Dollars ($520,000); (d) during the period from February 1, 2008 through and including January 31, 2009--Five Hundred Forty Thousand Eight Hundred Dollars ($540,800); and (e) during the period from February 1, 2009 through and including the last day of the Period of Employment--Five Hundred Sixty-Two Thousand Four Hundred Thirty-Two Dollars ($562,432). Base Compensation shall be payable in such installments and at intervals prescribed from time to time under the Company's payroll policies and practices, and shall be subject to such withholdings as are required thereunder

or by applicable law.

4.2 Executive also may be awarded a bonus (the "Annual Bonus") each year during the Period of Employment in an amount, not to exceed 75% of Executive's Base Compensation as in effect for such year, in such amount as the Executive's Supervisor may recommend, and the Compensation Committee of the Board may approve, based on such criteria, as they shall have established in their sole and absolute discretion.

4.3. The Company shall permit Executive to participate in all stock option, stock purchase, stock bonus and other equity-based incentive plans and programs (if any) as may be approved by the Board or its Compensation Committee and as the Company chooses to maintain from time to time with respect to its executive officers generally. Executive's level of participation and entitlements (if any) thereunder shall be subject to the eligibility requirements and all other terms and provisions of such plans and programs (including without limitation amendment and termination), and the determinations of their duly appointed administrators.

4.4 The Company shall permit Executive to participate in all healthcare, retirement, life insurance and disability income plans and programs as may be duly adopted and as the Company chooses to maintain from time to time with respect to its executive officers and/or employees generally. Executive's level of participation and benefits thereunder shall be subject to the eligibility requirements and all other terms and provisions of such plans and programs (including without limitation amendment and termination), and the determinations of their duly appointed administrators.

4.5. Executive shall be entitled to 20 business days vacation on an annual basis and all holidays provided under Company policy. For any calendar year during which Executive is employed for only a portion of the year, Executive shall be entitled to the appropriate proportion of the vacation days. Vacation days will not be cumulative, will accrue only for the current year,

and must be taken by Executive during the calendar year in which the vacation time accrues. Vacation days will not be converted into cash. Executive shall arrange his vacation so as not to conflict with the needs of the Company.

Section 5. Expenses and Indemnification.

5.1. The Company shall pay directly, or shall reimburse Executive for, such items of reasonable and necessary expense as are incurred by Executive in the interest of the business of the Company. All such expenses paid by Executive shall be reimbursed by the Company upon the presentation by Executive of an itemized account of such expenditures, sufficient to support their deductibility by the Company for federal income tax purposes (without regard to whether or not

the Company's deduction for such expenses is limited for federal income tax purposes), such submissions to be made within thirty (30) days after the date such expenses are incurred.

5.2. In addition to such rights of indemnification as are provided to Executive by the Certificate of Incorporation and/or Bylaws of the Company and its subsidiaries, the Company agrees that, absent a written opinion of independent legal counsel that it would be unlawful to do so, the Company shall promptly pay or advance all costs and expenses (including without limitation attorneys fees) reasonably incurred by Executive in defense of any and all claims, causes of action and charges which may be threatened, asserted or filed against him/her in any judicial, governmental or arbitration proceedings, inquiry or investigation (whether of a civil or criminal nature), arising out of his/her employment under this Agreement or the performance in good faith of his/her duties hereunder, other than such claims, causes of action or charges that may be initiated against Executive upon approval by the Board or the Chief Executive Officer. Executive hereby agrees to promptly reimburse to the Company all such costs and expenses as have been paid or advanced by the Company if it is finally determined as a matter of law that Executive was not entitled to be indemnified for them by the Company. In addition, Executive shall remit to the Company the proceeds of any insurance received by him to defray such costs and expenses as have been paid or advanced by the Company.

Section 6. Protection of Confidential Information and Property.

6.1. Executive acknowledges that, except for information that from time to time has been properly disclosed by the Company in public filings and announcements and commercial dealings, the Company has or may have a legitimate need for and/or interest in protecting the confidentiality of all information and data pertaining to the business and affairs of the Company and its subsidiaries, including without limitation information and data relating to (i) manufacturing operations and costs, (ii) distribution and servicing methods and costs, (iii) merchandising techniques, (iv) sales and promotional methods, (v) customer, vendor and personnel relationships and arrangements, (vi) research and development projects, (vii) information and data processing technologies, and (viii) strategic and tactical plans and initiatives (all such information and data, other than that which has been properly disclosed as aforesaid, being hereinafter referred to as "CONFIDENTIAL INFORMATION").

6.2. Executive acknowledges that, in the course of his employment, (i) he has participated and/or will participate in the development of Confidential Information, (ii) he has

been and/or will be involved in the use and application of Confidential Information for corporate purposes, and (iii) he otherwise has been and/or will be given access to and entrusted with Confidential Information for corporate

purposes.

6.3. Executive agrees that, during the term of his employment under this Agreement, he shall possess and use the Confidential Information solely and exclusively to protect and advance the interests of the Company and its subsidiaries; and that at all times thereafter, he (i) shall continue to treat the Confidential Information as proprietary to the Company, and (ii) shall not make use of, or divulge to any third party, all or any part of the Confidential Information unless and except to the extent so authorized in writing by the Company or required by judicial, legislative or regulatory process..

6.4. Executive acknowledges that, in the course of his employment, he will create and/or be furnished with (i) materials that embody or contain Confidential Information (in written and electronic form) and (ii) other tangible items that are the property of the Company and its subsidiaries. Executive agrees that, upon expiration or other termination of his term of employment under this Agreement, or sooner if the Company so requests, he shall promptly deliver to the Company all such materials and other tangible items so created and/or furnished, including without limitation drawings, blueprints, sketches, manuals, letters, notes, notebooks, reports, lists of customers and vendors, personnel lists, computer disks and printouts, computer hardware and printers, and that he shall not retain any originals or copies of such materials, or any of such tangible items, unless and except to the extent so authorized in writing by the Company.

6.5. Executive agrees to inform all prospective employers of the content of this Section 6 and of Section 7 of this Agreement prior to his acceptance of future employment.

Section 7. Restrictions against Competition and Solicitation.

7.1. Executive agrees that, during the term of his employment hereunder and during the Restricted Period (defined in Section 7.2 below), he shall not in any way, directly or indirectly, manage, operate, control, accept employment or a consulting position with or otherwise advise or assist or be connected with, or own or have any financial interest in, any Competitive Enterprise (defined in Section 7.2 below).

7.2. For purposes of this Section 7:

(a) "RESTRICTED PERIOD" means the greater of:

(i) Period of Employment plus the period of twelve months next following expiration of the Period of Employment; or

(ii) the period during which Executive is receiving payments or benefits from the Company pursuant to Section 3.2(a), 3.3, or 3.5(a) of this Agreement; or

(iii) the period of 24 months next following early termination of the Period of Employment other than for Good Reason.

(b) "COMPETITIVE ENTERPRISE" means any person or business organization engaged, directly or indirectly, in the business of (i) designing, manufacturing and marketing front-end fixtures, shelving and other display equipment and accessories for use by retail stores; (ii) designing, manufacturing and marketing custom wood fixtures, furnishings and millwork for use by commercial enterprises, (iii) distribution and fulfillment of magazines, books, pre-recorded music, video and video games, and other merchandise, (iv) rendering third party billing and collection services with respect to claims for manufacturer rebates and incentive payments payable to retailers respecting the sale of magazines, periodicals, confections and general merchandise, and/or (v) providing sales and marketing data and analyses to retailers and vendors of products distributed by the Company. Notwithstanding the foregoing, the term "COMPETITIVE ENTERPRISE" shall not include any person or business organization engaged exclusively in the distribution and fulfillment of pre-recorded music, video and video games, and/or related merchandise produced by a single studio or label that distributes its products exclusively through such person or business organization.

7.3. Without limitation of the Company's rights and remedies under this Agreement or as otherwise provided by law or in equity, it is understood and agreed between the parties that the right of Executive to receive and retain any payments otherwise due under this Agreement shall be suspended and canceled if and for so long as he is in violation of the foregoing covenant not to compete.

7.4. If the Period of Employment hereunder shall have been terminated without Proper Cause pursuant to Section 3.1(a) or 3.1(d) for Good Reason, and if Executive shall have duly complied with and observed the covenants of Section 6 and this Section 7, Executive may, at his election, be discharged from the covenants of Section 7.1 at any time on or before the thirtieth (30th) day following such termination by filing with the Company a duly executed statement (in form and content reasonably satisfactory to the Board of Directors of the Company) releasing the Company and its subsidiaries (and, if applicable, its insurance carriers) from any and all obligations it (or they) may have by reason of such termination (except for accrued and unpaid items).

7.5. Executive agrees further that, during the Restricted Period, he will not, directly or indirectly, either for himself or on behalf of any other person or entity, employ or attempt to employ or solicit the employment or services of any person who is at that time, or has been within six months immediately prior thereto, employed by the Company or any subsidiary of the Company.

Section 8. Injunctive Relief and Costs.

8.1. Executive acknowledges that any violation of or failure to comply with

the provisions of Sections 6, 7.1 and 7.5 of this Agreement may cause substantial and irreparable harm to the Company and its subsidiaries (and their constituencies), and that the nature and

magnitude of the harm may be difficult or impossible to measure precisely or to compensate adequately with monetary damages.

8.2. Executive agrees that the Company shall have the right to enforce his/her performance of and compliance with any and all provisions of Sections 6, 7.1 and 7.5 by seeking a restraining order and/or an order of specific performance and/or other injunctive relief against Executive from a court of competent jurisdiction, at any time or from time to time, if it appears that Executive has violated or is about to violate any such provision.

8.3. Executive further agrees that he/she shall be liable for reimbursement of all costs and expenses incurred by the Company and its subsidiaries (including without limitation reasonable attorneys' fees) in connection with any judicial proceeding or arbitration arising out of any violation of or failure to comply with the provisions of Sections 6, 7.1 and 7.5.

8.4. The provisions of this Section 8 are in addition to, and not in lieu of, any other rights and remedies that may be available to the Company for breach of any portion of this Agreement.

Section 9. Compliance with Law and Company Policies.

9.1. Executive warrants and represents to the Company that he/she is not now under any legal or contractual duty or obligation which could prevent, limit or impair in any way his/her full and faithful performance of this Agreement. Executive shall indemnify and hold the Company harmless from and against any claim, loss, damage, liability, cost or expense (including without limitation reasonable attorneys' fees) incurred by or asserted against the Company arising out of or in connection with any breach of this representation and warranty.

9.2. Executive acknowledges that he/she has received and read and understands the intent and purposes of the Company's Code of Business Code and Ethics. Executive shall comply with all lawful rules and policies of the Company, as in effect from time to time.

9.3. Nothing contained in this Agreement shall be interpreted, construed or applied to require the commission of any act contrary to law and whenever there is any conflict between any provision of this Agreement and any statute, law ordinance, order or regulation, the latter shall prevail; but in such event any such provision of this Agreement shall be curtailed and limited only to the extent necessary to bring it within applicable legal requirements.

9.4. Executive acknowledges and agrees that, notwithstanding anything to the contrary in this Agreement, he/she shall not be entitled to, and this Agreement does not confer on Executive, any benefits that constitute (or which, in the Company's good faith determination based on the advice of counsel, would likely constitute) a personal loan in violation of Section 402 of the Sarbanes-Oxley Act of 2002, including any implementing regulations thereunder, or any similar provision of applicable law (collectively, "Section 402"). In the event that the Company, in good faith and upon the advice of counsel, determines that any provision of this Agreement would, absent this Section, give rise to a potential violation of Section 402, Executive and the Company shall promptly negotiate, in good faith, towards an appropriate amendment to

this Agreement that would eliminate such potential violation, but which would, as closely as reasonably possible, afford both the Company and Executive, the same relative economic benefits of their bargain hereunder prior to such amendment.

Section 10. Effect of Business Combination Transactions. In the event of the merger or consolidation of the Company with any unrelated corporation or corporations, or of the sale by the Company of a major portion of its assets or of its business and good will to an unrelated third party, this Agreement shall remain in effect and be assigned and transferred to the Company's successor in interest as an asset of the Company, and the Company shall cause such assignee to assume the Company's obligations hereunder.

Section 11. Successors and Assigns.

11.1. This Agreement shall be binding upon, and shall inure to the benefit of, Executive and the Company and their respective permitted successors, assigns, heirs, legal representatives and beneficiaries.

11.2 Except as required by law, no right to receive payments under this Agreement shall be subject to anticipation, commutation, alienation, sale, assignment, encumbrance, charge, pledge or hypothecation or to execution, attachment, levy, or similar process or assignment by operation of law, and any attempt, voluntary or involuntary, to effect any such action shall be null, void and of no effect; provided, however, that nothing in this Section 10 shall preclude the assumption of such rights by executors, administrators or other legal representatives of Executive or his estate and their assigning any rights hereunder to the person or persons entitled thereto.

Section 12. Notices. Any and all notices required or permitted to be given under this Agreement shall be sufficient if furnished in writing and personally delivered, or if sent by registered or certified mail to the last known residence address of Executive or to the Company, Attention: Chief Executive Officer, 27500 Riverview Center Blvd., Suite 400, Bonita Springs, Florida 34134,

or such other place as Executive or the Company may designate in writing to the other for these purposes.

Section 13. Miscellaneous.

13.1. The waiver by either party of a breach or violation of any provision of this Agreement shall not operate as or be construed to be a waiver of any subsequent breach hereof.

13.2. The headings to the Sections hereof are for convenience of reference only, and in case of any conflict, the text of this Agreement, rather than the headings, shall control.

13.3. This Agreement sets forth the entire understanding of the parties in respect of the subject matter contained herein and supersedes all prior agreements, arrangements and understandings relating to the subject matter and may only be amended by a written agreement signed by both parties hereto or their duly authorized representatives. Except as expressly stated herein, however, nothing in this Agreement shall be deemed to affect the Company's duties and

obligations, or Executive's rights and benefits, under the Company's existing under the Company's existing Source Interlink Companies 401(k).

13.4. Should a court or arbitrator declare any provision hereof to be invalid, such declaration shall not affect the validity of the Agreement as a whole or any part thereof, other than the specific portion declared to be invalid.

13.5. This Agreement shall be interpreted, construed and governed according to the laws of the State of Florida.

13.6. Any claim, controversy or dispute arising with respect to this Agreement between the parties hereto or anyone claiming under or on behalf of either of the parties (a " Dispute"), other than a Dispute to which Section 8 hereof applies, shall be submitted to final and binding arbitration in accordance with the following:

(a) Any party to an unresolved Dispute may file a written Demand for Arbitration pursuant to this Section 13.5 with the Regional Office of the American Arbitration Association nearest to Bonita Springs, and shall simultaneously send a copy of such Demand to the other party or parties to such Dispute;

(b) Arbitration proceedings under this Section 13.6 shall be conducted in accordance with the Commercial Arbitration Rules of the American Arbitration

Association, except that all decisions and awards rendered shall be accompanied by a written opinion setting forth the rationale for such decisions and awards;

(c) Venue for all evidentiary hearings conducted in such proceedings shall be in Lee or Collier County, Florida, as determined by the Arbitrator.

(d) Unless otherwise agreed by the parties thereto, arbitration proceedings under this Section 13.6 shall be conducted before one impartial arbitrator selected through the procedures of the American Arbitration Association. On all matters, the decisions and awards of the arbitrator shall be determinative.

(e) To the extent practicable, the arbitration proceedings under this Section 13.6 shall be conducted in such manner as will enable completion within sixty (60) days after the filing of the Demand for Arbitration hereunder.

(f) The arbitrator may award attorney's fees and costs of arbitration to the substantially prevailing party. Unless and except to the extent so awarded, the costs of arbitration shall be shared equally by the parties, and each party shall bear the fees and expenses of its own attorney. Punitive damages shall not be allowed by the arbitrator. The award may be enforced in such manner as allowed by law.

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Agreement as of the date first written above.

SOURCE INTERLINK COMPANIES, INC.

By: /s/ S. Leslie Flegel

Name: S. Leslie Flegel
Title: Chairman & Chief Executive Officer

/s/ Alan Tuchman

Alan Tuchman

EXHIBIT 10.55

SOURCE INTERLINK COMPANIES, INC.

SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN

AS OF MARCH 1, 2005

SOURCE INTERLINK COMPANIES, INC.
SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN
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SOURCE INTERLINK COMPANIES, INC.

SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN

SECTION 1 - ESTABLISHMENT AND PURPOSE OF PLAN

1.1 Establishment and Duration of Plan. The Board of Directors of Source Interlink Companies, Inc., a Missouri corporation, hereby establishes the Source Interlink Companies, Inc. Supplemental Executive Retirement Plan, effective March 1, 2005. By executing a Participation Agreement, an Executive agrees to the terms of the Plan. The Plan shall continue until terminated by the Board of Directors.

1.2 Purpose of Plan. The Supplemental Executive Retirement Plan has been adopted by Source Interlink Companies, Inc. to provide Executives with benefits upon their retirement, if they are eligible to receive benefits under the Plan.

SECTION 2 - EFFECTIVE DATE

The effective date of the Plan is March 1, 2005.

SECTION 3 - DEFINITIONS

3.1 AATYB means the average of the three highest Annual Base Salaries during the five (5) year period preceding the Termination of Employment.

3.2 Annual Base Salary means the base hourly rate of compensation payable to the Executive as reflected on the payroll records of the Corporation on January 31 of each year multiplied by 2,080.

3.3 Change of Control means the occurrence of any of the following events:

(i) A change in the composition of the Board of Directors occurs, as a result of which fewer than one-half (1/2) of the incumbent directors are directors who either:

(A) Had been directors of the Corporation on the "look-back date" (as defined below) (hereinafter referred to as the "original directors"); or

(B) Were elected, or nominated for election, to the Board of Directors with the affirmative votes of at least a majority of the aggregate of the original directors who were still in office at the time of the election or nomination and the directors whose election or nomination was previously so approved (hereinafter referred to as the "continuing directors"); or

(ii) Any "person" (as defined below) who by the acquisition or aggregation of securities, is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Securities Exchange Act of 1934, as amended), directly or indirectly, of securities of the Corporation representing 50% or more of the combined voting power of the Corporation's then outstanding securities ordinarily (and apart from rights accruing under special circumstances) having the right to vote at elections of directors (hereinafter referred to as the "Base Capital Stock"); except that any change in the relative beneficial ownership of the Corporation's securities by any person resulting solely from a reduction in the aggregate number of outstanding shares of Base Capital Stock, and any decrease thereafter in such person's ownership of securities, shall be disregarded until such person increases in any manner, directly or indirectly, such person's beneficial ownership of any securities of the Corporation; or

(iii) The consummation of a merger or consolidation of the Corporation with or into another entity or any other corporate reorganization in which the Corporation is not the acquiring entity for accounting

purposes; or

(iv) The consummation of a sale, transfer or other disposition of all or substantially all of the Corporation's assets.

For purposes of subsection (i) above, the term "look-back" date shall mean the later of (1) the Effective Date of the Plan, or (2) the date 24 months prior to the date of the event that may constitute a Change of Control.

For purposes of subsection (ii) above, the term "person" shall have the same meaning as when used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended, but shall exclude (1) a trustee or other fiduciary holding securities under an employee benefit plan maintained by the Corporation or a parent or subsidiary and (2) a corporation owned directly or indirectly by the shareholders of the Corporation in

substantially the same proportions as their ownership of the common stock of the Corporation.

Any other provision of this Section 3.3 notwithstanding, no event shall constitute a Change of Control if: (A) the sole purpose of the event was to change the state of the Corporation's incorporation or to create a holding company that will be owned in substantially the same proportions by the persons who held the Corporation's securities immediately before such transaction; (B) the event was contemplated by that certain Agreement and Plan of Merger, dated November 18, 2004, by and among Source Interlink Companies, Inc., Alliance Entertainment Corp. and Alligator Acquisition, LLC.; or (C) following such event, S. Leslie Flegel is employed by the Company or any successor entity with the duties and responsibilities of such entity's principal executive officer.

3.4 Committee. "Committee" means the Compensation Committee of the Board of Directors of the Corporation.

3.5 Corporation. "Corporation" means Source Interlink Companies, Inc., a Missouri corporation, or its Subsidiaries and any successor thereto.

3.6 Disability. "Disability" shall have the meaning as ascribed thereto under the Executive's Employment Agreement with the Corporation.

3.7 Early Retirement Age. "Early Retirement Age" means the attainment of the Executive's fifty-fifth (55th) birthday.

3.8 Early Retirement Benefit. "Early Retirement Benefit" means, with respect to each Executive, the amount listed as such under the Executive's Participation Agreement.

3.9 Early Retirement Date. "Early Retirement Date" means the first day of the month coincident with or next following (i) an Executive's attainment of age fifty-five (55), (ii) Termination of Employment, and (iii) written application on or after attainment of age fifty-five (55), provided that such Early Retirement Date is prior to the Executive's Normal Retirement Date.

3.10 Employment Agreement. "Employment Agreement" means the agreement executed by the Executive pertaining to his employment with the Corporation.

3.11 Entry Date. "Entry Date" means the effective date as of which the Executive executes a Participation Agreement under the Plan.

3.12 Executive. "Executive" means any employee who is designated as eligible to participate in the Plan by the Board of Directors of the Corporation and who executes a Participation Agreement. Only management and highly-compensated employees within the meaning of the Employee Retirement Income Security Act of 1974, as amended, shall be eligible to participate under the Plan.

3.13 Normal Retirement Age. "Normal Retirement Age" means the attainment of the Executive's sixty-fifth (65th) birthday.

3.14 Normal Retirement Benefit. "Normal Retirement Benefit" means, with respect to each Executive, the amount listed as such under the Executive's Participation Agreement.

3.15 Normal Retirement Date. "Normal Retirement Date" means the first day of the month coincident with or next following an Executive's attainment of Normal Retirement Age or, if later, the first day of the month following the Executive's retirement after attainment of Normal Retirement Age.

3.16 Participation Agreement. "Participation Agreement" means the executive participation agreement executed by the Executive upon being admitted to the Plan. With respect to each Executive, the Participation Agreement shall be an integral part of the Plan.

3.17 Plan. "Plan" means the Source Interlink Companies, Inc. Supplemental Executive Retirement Plan and its successors, as described herein and as the same may be amended from time to time.

3.18 Resignation. "Resignation" means the Executive providing formal notice in writing to the Corporation of the relinquishment of the Executive's position with the Corporation.

3.19 Termination of Employment. "Termination of Employment" means the ceasing of the Executive's employment for any reason whatsoever, whether voluntarily or involuntarily.

3.20 Termination for Cause. "Termination for Cause" means the extinguishment of the Executive's employment with the Corporation due to a breach by the Executive of any obligation required to be performed or observed by him under the Participation Agreement or a termination of the Executive's employment with the Corporation for cause in accordance with the provisions of his Employment Agreement.

3.21 Year. "Year" means a period of twelve (12) consecutive calendar months.

3.22 Year of Service. "Year of Service" means each Year (up to a maximum of 15 Years), commencing on an Executive's Entry Date, during which the Executive is actively and continuously employed by the Corporation on a full-time basis (up to age 65).

SECTION 4 - PAYMENT OF BENEFITS

4.1 Normal Retirement Age. An Executive who terminates employment with the Corporation and retires at or after Normal Retirement Age shall be entitled to receive a monthly Normal Retirement Benefit for the Executive's lifetime, which is determined in accordance with the Executive's Participation Agreement. The Executive's Normal Retirement Benefit shall commence on the Executive's Normal Retirement Date.

4.2 Early Retirement Age. An Executive who terminates employment with the Corporation and retires at Early Retirement Age shall be entitled to receive a monthly Early Retirement Benefit for the Executive's lifetime, which is determined in accordance with the Executive's Participation Agreement. The Executive's Early Retirement Benefit shall commence on the Executive's Early Retirement Date.

4.3 Termination Benefit.

a. Upon Termination for Cause of the Employment of an Executive, no benefit shall be payable to the Executive.

b. Upon Termination of Employment of an Executive without cause before Normal Retirement Age or Early Retirement Age for reasons other than death or Disability, the Corporation shall pay to the

Executive, commencing at Normal Retirement Age, a retirement benefit under the Plan, which shall be calculated in accordance with the Executive's Participation Agreement.

4.4 Resignation Benefit. Upon Resignation of an Executive, the Corporation shall pay to the Executive, commencing at Normal Retirement Age, a retirement benefit, which shall be calculated in accordance with the Executive's Participation Agreement. No benefit shall be payable to an Executive who has less than five (5) Years of Service from Entry Date, unless otherwise agreed to under the Executive's Participation Agreement. No benefit shall be payable to an Executive who has not attained age 55 at the time of the Executive's Resignation.

4.5 Disability Benefit. If an Executive's employment with the Corporation is terminated due to Disability, the Corporation shall pay to the Executive, commencing at Normal Retirement Age, a retirement benefit under the Plan, which shall be calculated in accordance with the Executive's Participation Agreement.

4.6 Form of Benefit Payment. The form of an Executive's retirement benefit payment, as determined under Sections 4.1 through 4.5 of the Plan, shall be a monthly retirement income benefit payment commencing at retirement and payable for the duration of the Executive's life. Subject to the provisions

under Section 5.4, the Executive shall be guaranteed to receive at least sixty (60) monthly retirement income payments. If the Executive should die before the end of the sixty (60) month period, monthly payments shall continue to be paid for the remainder of the sixty (60) month period to the Executive's surviving spouse or, if the Executive is not survived by a spouse, to the Executive's estate.

4.7 Retirement Plans Offset. An Executive's retirement benefit, as determined under Sections 4.1 through 4.5 of the Plan, shall be offset by retirement benefit payments under any defined benefit plans, as defined under Section 3 of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), sponsored by the Corporation.

4.8 Change of Control. In the event of a Change of Control, as such term is defined under Section 3.3 of this Plan, of the Corporation while this Plan remains in effect, there shall be no acceleration of Plan benefits or any other additional benefits.

4.9 Golden Parachute Cap. Notwithstanding any provision in this Plan to the contrary, in no event shall the total present value of all payments under this Plan that are payable to an Executive and are contingent upon a Change of Control in accordance with the rules set forth in Section 280G of the Internal Revenue Service Code of 1986, as amended (the "Code"), and the Treasury Regulations thereunder, when added to the present value of all other payments, other than payments that are made pursuant to this Plan, that are payable to a Participant and are contingent upon a Change of Control, exceed an amount equal to two hundred and ninety-nine percent (299%) of the Participant's "base amount", as that term is defined in Section 280G of the Code. For purposes of making a calculation under this Section 4.9, the determination of the portion of a payment that shall be treated as contingent upon a Change of Control shall be made in accordance with Proposed Treasury Regulations Section 1.280G-1Q/A-24.

SECTION 5 - CONDITIONS RELATED TO BENEFITS

5.1 Withholding; Unemployment Taxes. To the extent required by the law in effect at the time payments are made, the Corporation shall withhold from payments made hereunder any taxes required to be withheld by the Federal or any state or local government.

5.2 No Other Benefits. The Corporation shall pay no benefits hereunder to the Executive by reason of Termination of Employment or otherwise, except as specifically provided herein.

5.3 Not a Death Benefit Plan. The Plan is designed specifically as a retirement benefit plan and not as a death benefit plan. Therefore, the Corporation and Executives understand that, should the Executive no longer be an

employee or Plan participant and death occurs, no benefit shall be payable to the deceased Participant's beneficiary or estate, except as provided under Section 4.6 of the Plan.

5.4 Forfeiture of Benefits. An Executive shall forfeit his rights to any and all benefits to be paid to the Executive under the Plan if: (a) the Executive dies by suicide; (b) the Executive is Terminated for Cause; or (c) the Executive violates any non-compete agreement or any other term or condition between the Corporation and the Executive as provided under the Executive's Participation Agreement.

SECTION 6 - CLAIMS PROCEDURE

6.1 Claims Reviewer. For purposes of handling claims with respect to the Plan, the "Claims Reviewer" shall be the Corporation, unless another person or organizational unit is designated by the Corporation as Claims Reviewer.

6.2 Claims Procedure. An initial claim for benefits under the Plan must be made by the Executive in accordance with the terms of the Plan through which the benefits are provided. Not later than 90 days after receipt of such a claim, the Claims Reviewer will render a written decision on the claim to the claimant, unless special circumstances require the extension of such 90-day period. If such extension is necessary, the Claims Reviewer shall provide the Executive with written notification of such extension before the expiration of the initial 90-day period. Such notice shall specify the reason or reasons for such extension and the date by which a final decision can be expected. In no event shall such extension exceed a period of 90 days from the end of the initial 90-day period. In the event the Claims Reviewer denies the claim of an Executive in whole or in part, the Claims Reviewer's written notification shall specify, in a manner calculated to be understood by the claimant, the reason for the denial; a reference to the Plan or other document or form that is the basis for the denial; a description of any additional material or information necessary for the claimant to perfect the claim; an explanation as to why such information or material is necessary; and an explanation of the applicable claims procedure. Should the claim be denied in whole or in part and should the claimant be dissatisfied with the Claims Reviewer's disposition of the claimant's claim, the claimant may have a full and fair review of the claim by the Corporation upon written request therefor submitted by the claimant or the claimant's duly authorized representative and received by the Corporation within 60 days after the claimant receives written notification that the claimant's claim has been denied. In connection with such review, the claimant or the claimant's duly authorized representative shall be entitled to review pertinent documents and submit the claimant's views as to the issues, in writing. The Corporation shall act to deny or accept the claim within 60 days after receipt of the claimant's written request for review unless special circumstances require the extension of such 60-day

period. If such extension is necessary, the Corporation shall provide the claimant with written notification of such extension before the expiration of such initial 60-day period. In all events, the Corporation shall act to deny or accept the claim within 120 days of the receipt of the claimant's written request for review. The action of the Corporation shall be in the form of a written notice to the claimant and its contents shall include all of the requirements for action on the original claim. In no event may a claimant commence legal action for benefits the claimant believes are due the claimant until the claimant has exhausted all of the remedies and procedures afforded the claimant by this Section 6.2.

SECTION 7 - ADMINISTRATION

7.1 Unsecured Claim, Funding and Non-Assignability. The right of an Executive to receive a distribution hereunder shall be an unsecured claim against the general assets of the Corporation, and no Executive shall have any rights in or against any amount credited to any accounts under this Plan or any other assets of the Corporation. The Plan at all times shall be considered entirely unfunded both for tax purposes and for purposes of Title I of the Employee Retirement Income Security Act of 1974, as amended. Any funds invested hereunder shall continue for all purposes to be part of the general assets of the Corporation and available to its general creditors in the event of bankruptcy or insolvency. Accounts under this Plan and any benefits which may be payable pursuant to this Plan are not subject in any manner to anticipation, sale, alienation, transfer, assignment, pledge, encumbrance, attachment, or garnishment by creditors of an Executive. The Plan constitutes a mere promise by the Corporation to make benefit payments in the future. No interest or right to receive a benefit may be taken, either voluntarily or involuntarily, for the satisfaction of the debts of, or other

obligations or claims against, such person or entity, including claims for alimony, support, separate maintenance and claims in bankruptcy proceedings.

7.2 Administration of Plan. An integral part of the Plan is the ongoing administration of the Plan. The Plan shall be administered by the Board of Directors of the Corporation, which shall have the authority, duty and power to interpret and construe the provisions of the Plan as the Board deems appropriate, including the authority to determine eligibility for benefits under the Plan. The Board shall have the duty and responsibility of maintaining records, making the requisite calculations and disbursing the payments hereunder. The interpretations, determinations, regulations and calculations of the Board shall be final and binding on all persons and parties concerned. Any benefits payable under this Plan will be paid only if the Board decides in its discretion that the applicant is entitled to

them. The Board shall have the right at any time to appoint a person or committee to perform administrative functions delegated to it by the Board on the administration of the Plan.

7.3 Expense of Administration. Expenses of administration shall be paid by the Corporation. The Board of Directors of the Corporation shall be entitled to rely on all tables, valuations, certificates, opinions, data and reports furnished by any actuary, accountant, controller, counsel or other person employed or retained by the Corporation with respect to the Plan.

7.4 Rights of Executive. The sole rights of an Executive under this Plan shall be to have this Plan administered according to its provisions, to receive whatever benefits he may be entitled to hereunder, and nothing in the Plan shall be interpreted as a guaranty that any assets of the Corporation will be sufficient to pay any benefit hereunder. Further, the adoption and maintenance of this Plan shall not be construed as creating any contract of employment between the Corporation and any Executive. The Plan shall not affect the right of the Corporation to deal with any Executives in employment respects, including their hiring, discharge, compensation, and conditions of employment. Each Executive shall receive an updated copy of the Plan document and shall receive copies of any amendments to the Plan document within ten (10) days after their adoption.

7.5 Incompetency. The Corporation may from time to time establish rules and procedures which it determines to be necessary for the proper administration of the Plan and the benefits payable to an Executive in the event that Executive is declared incompetent and a conservator or other person legally charged with that Executive's care is appointed. Except as otherwise provided herein, when the Corporation determines that such Executive is unable to manage his financial affairs, the Corporation may pay such Executive's benefits to such conservator, person legally charged with such Executive's care, or institution then contributing toward or providing for the care and maintenance of such Executive. Any such payment shall constitute a complete discharge of any liability of the Corporation and the Plan for such Executive.

7.6 Duties of Executive. Eligibility to participate in this Plan is expressly conditional upon the Executive furnishing to the Corporation certain information and medical records and the taking of physical examinations and such other relevant action as may be reasonably requested by the Corporation. Any Executive who refuses to provide such information and medical records or to take physical examinations or such other action as deemed necessary by the Corporation or in the Corporation's best interest in administering the Plan shall not be enrolled as or cease to be a participant under the Plan. The Executive shall authorize and direct any physician, health care professional, health care provider, and medical care facility to provide to the Corporation information relating to the Executive's physical and mental condition and the diagnosis, prognosis, care, and treatment thereof upon the request of the Corporation in accordance with the current and future regulations, laws and rules as provided by Regulation Section 164.502(g) of Title 45 of the Code of

Federal Regulations and the medical information privacy law and regulations generally referred to as HIPAA.

7.7 Right to Terminate or Amend. The Plan may be continued after a sale of assets of the Corporation, or a merger or consolidation of the Corporation into or with another corporation or entity only if and to the extent that the transferee, purchaser or successor entity agrees to continue the Plan. In the event that the Plan is not continued by the transferee, purchaser or successor entity, then the Corporation reserves the sole right to terminate the Plan at any time. In the event of termination of the Plan, the Corporation shall pay to the

Executive, commencing at Normal Retirement Age, a retirement benefit under the Plan, which shall be calculated in accordance with the Executive's Participation Agreement. All further vesting and benefit accrual shall cease on the date of Plan termination. If, however, after a sale of the assets of the Corporation the Plan is: (i) terminated, (ii) the transferee, purchaser or successor entity does not agree to continue the Plan, and (iii) the Corporation goes out of existence after such sale of its assets; the Executive's retirement benefit under the Plan, which shall be calculated in accordance with the Executive's Participation Agreement, shall be distributed at the discretion of the Corporation in one of the following manners: (i) in the form of an annuity to be purchased from a life insurance company selected by the Corporation; or (ii) in a lump sum which shall be calculated on a present value basis as actuarially discounted at the Plan discount rate of 6.25% or the then current One Year Treasury Rate, whichever is higher, and based on the Code Section 417 applicable mortality table as set forth in Rev. Rul. 95-6, 1995-1 C.B. 80 or any successor table prescribed by the Commissioner of the Internal Revenue Service in revenue rulings, notices, or other published guidance. The Corporation further reserves the right, in its sole discretion, to amend the Plan in any respect. No amendment of the Plan that reduces the value of the benefits theretofore accrued and vested by the Executive shall be effective.

SECTION 8 - MISCELLANEOUS.

8.1 Gender and Number. Wherever appropriate herein, the masculine may mean the feminine and the singular may mean the plural or vice versa.

8.2 Notice. Any notice required or permitted to be given to the Committee under the Plan shall be sufficient if in writing and hand delivered, or sent by registered or certified mail, to the principal office of the Corporation, directed to the attention of the Chairman of the Committee. Such notice shall be deemed given as of the date of delivery or, if delivery is made by mail, as of the date shown on the postmark or on the

receipt for registration or certification.

8.3 Current Address. Each Executive shall keep the Corporation informed of his or her current address. The Corporation shall not be obligated to search for any person.

8.4 Validity. In the event any provision of this Plan is held invalid, void or unenforceable, the same shall not affect, in any respect whatsoever, the validity of any other provision of this Plan.

8.5 Applicable Law. The Plan shall be governed and construed in accordance with the laws of the State of Florida.

8.6 Arbitration. Any controversy, claim or dispute of whatever nature arising between the parties out of or relating to this Plan or the breach, termination, enforceability, scope or validity of this Plan (a "Dispute") shall be resolved by mediation or, failing mediation, by binding arbitration. The agreement to mediate and arbitrate contained in this Section shall continue in full force and effect despite the expiration, rescission or termination of this Plan.

Neither party shall commence an arbitration proceeding pursuant to the provisions set forth below unless such party shall first give a written notice (a "Dispute Notice") to the other party setting forth the nature of the Dispute. The parties shall attempt in good faith to resolve the Dispute by mediation under the CPR Institute for Dispute Resolution ("CPR") Model Mediation Procedure for Business Disputes in effect at the time of this Plan. If the parties cannot agree on the selection of a mediator within twenty (20) days after receipt of the Dispute Notice, the mediator will be selected in accordance with the CPR Procedure.

If the Dispute has not been resolved by mediation as provided above within sixty (60) days after receipt of the Dispute Notice, or if a party fails to participate in a mediation, then the Dispute shall be determined by binding arbitration in Lee County, Florida. The arbitration shall be conducted in accordance with such rules as may be agreed upon by the parties, or failing agreement within thirty (30) days after arbitration is demanded, in accordance with the Commercial Arbitration Rules of the American Arbitration Association ("AAA") in effect on the date of the Dispute Notice, subject to any modifications contained in this Plan. The Dispute shall be determined by one arbitrator, unless the Dispute involves an amount in excess of $1,000,000 (exclusive of interest and costs), in which case three arbitrators shall be appointed.

Persons eligible to serve as arbitrators shall be members of the AAA Large, Complex Case Panel or a CPR Panel of Distinguished Neutrals, or who have

professional credentials similar to those persons listed on such AAA or CPR panels. The arbitrator(s) shall base the award on the applicable law and judicial precedent which would apply if the Dispute were decided by a United States District Judge, and the arbitrator(s) shall have no authority to render an award which is inconsistent therewith. The award shall be in writing and include the findings of fact and conclusions of law upon which it is based.

Discovery will be permitted as and to the extent determined by the arbitrator(s). The arbitrator(s) shall resolve any discovery disputes. The arbitrator(s) and counsel of record will have the power of subpoena process as provided by law. The parties knowingly and voluntarily waive their rights to have any Dispute tried and adjudicated by a judge or a jury.

The arbitration shall be governed by the substantive laws of the State of Florida, without regard to conflicts-of-law rules, and by the arbitration law of the Federal Arbitration Act (Title 9, U.S. Code). Judgment upon the award rendered may be entered in any court having jurisdiction. Notwithstanding the foregoing, upon the application by either party to a court for an order confirming, modifying or vacating the award, the court shall have the power to review whether, as a matter of law based on the findings of fact determined by the arbitrator(s), the award should be confirmed, modified or vacated in order to correct any errors of law made by the arbitrator(s). In order to effectuate such judicial review limited to issues of law, the parties agree (and shall stipulate to the court) that the findings of fact made by the arbitrator(s) shall be final and binding on the parties and shall serve as the facts to be submitted to and relied upon by the court in determining the extent to which the award should be confirmed, modified or vacated.

Except as otherwise required by law, the parties and the arbitrator(s) agree to keep confidential and not disclose to third parties any confidential information or documents obtained in connection with the arbitration process. If either party fails to proceed with arbitration as provided in this Plan, or unsuccessfully seeks to stay the arbitration, or fails to comply with the arbitration award, or is unsuccessful in vacating or modifying the award pursuant to a petition or application for judicial review, the other party shall be entitled to be awarded costs, including reasonable attorney's fees, paid or incurred in successfully compelling such arbitration or defending against the attempt to stay, vacate or modify such arbitration award and/or successfully defending or enforcing the award.

Each party hereby waives any and all rights it may have to receive exemplary or punitive damages with respect to any Dispute it may have against the other party, it being agreed that no party shall be entitled to receive money damages in excess of its actual compensatory damages related to that Dispute, notwithstanding any contrary provision contained in this Plan.

In any Dispute, the non-prevailing party in such matter (whether determined

based on a final adjudication of the issue at court, arbitration or from the terms of a settlement) shall pay to the prevailing party all costs, attorneys' fees and paralegals' fees (whether incurred before trial, at trial or on appeal) incurred by prevailing party in connection with such controversy, interpretation or implementation.

8.7 Successors in Interest. The Plan shall inure to the benefit of, be binding upon, and be enforceable by, any corporate successor to the Corporation or successor to substantially all of the assets of the Corporation.

8.8 No Representation on Tax Matters. The Corporation makes no representation to Executives regarding current or future income tax ramifications of the Plan.

8.9 No Liability. Notwithstanding any provision herein to the contrary, neither the Corporation nor any individual acting as an employee or agent of the Corporation shall be liable to any Executive, former Executive or any other person for any claim, loss, liability or expense incurred in connection with the Plan, unless attributable to fraud or willful misconduct on the part of the Corporation or any such employee or agent of the Corporation.

8.10 Binding Effect. The terms of this Plan shall be binding on the Executive and the Executive's heirs, executors, administrators and assigns.

SECTION 9 - EXECUTION

To record the adoption of the Plan by the Board of Directors, the Corporation has caused its authorized officer to execute the same.

IN WITNESS WHEREOF, the Plan has been executed as of the 28th day of February, 2005.

By order of the Compensation Committee of
the Board of Directors of
SOURCE INTERLINK COMPANIES, INC.

By: /s/ Aron S. Katzman

Name: Aron S. Katzman
Title: Chairman, Compensation Committee

EXHIBIT 10.56

SOURCE INTERLINK COMPANIES, INC.

CHALLENGE GRANT PROGRAM

EFFECTIVE MARCH 1, 2005

SOURCE INTERLINK COMPANIES, INC.

CHALLENGE GRANT PROGRAM

SECTION 1 - ESTABLISHMENT AND PURPOSE OF PROGRAM

1.1 ESTABLISHMENT AND DURATION OF PROGRAM. The Board of Directors of Source Interlink Companies, Inc., a Missouri corporation, hereby establishes the Source Interlink Companies, Inc. Challenge Grant Program, effective March 1, 2005. The Program shall commence on March 1, 2005 and continue until all earned disbursements are made following the end of the Challenge Period.

1.2 PURPOSE OF PROGRAM. The Challenge Grant Program has been adopted by Source Interlink Companies, Inc. to motivate key executive personnel to maximize shareholder value resulting from the transactions contemplated by a certain Agreement and Plan of Merger, dated November 18, 2004, by and among Source Interlink Companies, Inc., Alliance Entertainment Corp. and Alligator Acquisition, LLC.

SECTION 2 - EFFECTIVE DATE

The effective date of the Program is March 1, 2005.

SECTION 3 - DEFINITIONS

3.1 "AGGREGATE PAYOUT"--means the total sum payable under the Program to all Executives.

3.2 "CHALLENGE PERIOD"--means the three year period commencing February 1, 2005 and ending January 31, 2008.

3.3 "COMMITTEE"--means the Compensation Committee of the Board of Directors of the Corporation.

3.4 "CHANGE OF CONTROL"--means the occurrence of any of the following events:

(a) A change in the composition of the Board of Directors occurs, as a result of which fewer than one-half (1/2) of the incumbent directors are directors who either:

(i) Had been directors of the Corporation on the "look-back date" (as defined below) (hereinafter referred to as the "original directors"); or

(ii) Were elected, or nominated for election, to the Board of Directors with the affirmative votes of at least a majority of the aggregate of the original directors who were still in office at the time of the election or nomination and the directors whose election or nomination was previously so approved (hereinafter referred to as the "continuing directors");

or,

(b) Any "person" (as defined below) who by the acquisition or aggregation of securities, is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Securities Exchange Act of 1934, as amended), directly or indirectly, of securities of the Corporation representing 50% or more of the combined voting power of the Corporation's then outstanding securities ordinarily (and apart from rights accruing under special circumstances) having the right to vote at elections of directors (hereinafter referred to as the "Base Capital Stock"); except that any change in the relative beneficial ownership of the Corporation's securities by any person resulting solely from a reduction in the aggregate number of outstanding shares of Base Capital Stock, and any decrease thereafter in such person's ownership of securities, shall be disregarded until such person increases in any manner, directly or indirectly, such person's beneficial ownership of any securities of the Corporation;

or

(c) The consummation of a merger or consolidation of the Corporation with or into another entity or any other corporate reorganization in which the Corporation is not the acquiring entity for accounting purposes;

or

(d) The consummation of a sale, transfer or other disposition of all or substantially all of the Corporation's assets.

For purposes of subsection (a) above, the term "look-back" date shall mean the later of (1) the Effective Date of the Program, or (2) the date 24 months prior to the date of the event that may constitute a Change of Control.

For purposes of subsection (b) above, the term "person" shall have the same meaning as when used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended, but shall exclude (1) a trustee or other fiduciary holding securities under an employee benefit plan maintained by the Corporation or a parent or subsidiary and (2) a corporation owned directly or indirectly by the shareholders of the Corporation in substantially the same proportions as their

ownership of the common stock of the Corporation.

Any other provision of this Section 3.4 notwithstanding, no event shall constitute a Change of Control if: (A) the sole purpose of the event was to change the state of the Corporation's incorporation or to create a holding company that will be owned in substantially the same proportions by the persons who held the Corporation's securities immediately before such transaction; (B) the event was contemplated by that certain Agreement and Plan of Merger, dated November 18, 2004, by and among Source Interlink Companies, Inc., Alliance Entertainment Corp. and Alligator Acquisition, LLC.; or (C) following such event, S. Leslie Flegel is employed by the Company or any successor entity with the duties and responsibilities of such entity's principal executive officer.

3.5 "CORPORATION"--means Source Interlink Companies, Inc., a Missouri corporation, or its subsidiaries and any successor thereto.

3.6 "EXECUTIVE"--means S. Leslie Flegel and any employee who is designated as eligible to participate in the Program by the Chief Executive Officer with, in the case of Executives that are also officers of the Corporation subject to the reporting requirements of Section 16 promulgated under the Securities Exchange Act of 1934, as amended, the approval of the Committee. Only management and highly-compensated employees within the meaning of the Employee Retirement Income Security Act of 1974, as amended, shall be eligible to participate in the Program.

3.7 "NOI"--means cumulatively as to the entire Challenge Period, operating income as shown on the Corporation's annual audited financial statements plus (a) compensation expense recorded in the income statement related to the Program and (b) amortization expense or impairment charges attributable solely to intangible assets identified and recorded as a result of the merger (the "MERGER") effected on February 28, 2005 between Alliance Entertainment Corp. and Alligator Acquisition. LLC, a wholly-owned subsidiary of the Corporation.

3.8 "PROGRAM"--means the Source Interlink Companies, Inc. Challenge Grant Program and its successors, as described herein and as the same may be amended from time to time.

SECTION 4 - CALCULATION OF AGGREGATE PAYOUT

4.1. CONCLUSION OF CHALLENGE PERIOD. The Aggregate Payout under the Program shall be equal to that amount set forth in the following table opposite the applicable range which encompasses NOI:

<TABLE>
<CAPTION>

NOI RANGE		
MORE THAN	LESS THAN OR EQUAL TO	AGGREGATE PAYOUT

<S>	<C>	<C>
$0	$195.2 million	$ 2.50 million
$195.2 million	$202.8 million	$ 5.00 million
$202.8 million	$210.4 million	$ 7.50 million
$210.4 million	$218.0 million	$10.00 million
$218.0 million	$227.2 million	$11.00 million
$227.2 million	$236.4 million	$12.00 million
$236.4 million	$245.6 million	$13.00 million
$245.6 million	$254.8 million	$14.00 million
$254.8 million	$264.0 million	$15.00 million

</TABLE>

4.2. UPON CHANGE OF CONTROL. If a Change of Control shall occur during the Challenge Period, the Aggregate Payout under the Program shall be equal to that amount set forth in the following table opposite the applicable period in which the Change of Control occurs.

<TABLE>
<CAPTION>

TWELVE MONTH PERIOD ENDING	AGGREGATE PAYOUT
<S>	<C>
January 31, 2006	$10.0 million
January 31, 2007	$12.5 million
January 31, 2008	$15.0 million

</TABLE>

4.3. ADJUSTMENT OF CALCULATION UPON ACQUISITION OR DISPOSITION. The Committee reserves the right, but has no obligation, to adjust, upward or downward, the NOI Ranges set forth in Section 4.1 if during the Challenge Period the Corporation completes the acquisition or disposition of a significant amount of assets, otherwise than in the ordinary course of business. Any such adjustment during the Challenge Period shall be reasonably related to any increase or decrease in the NOI projected to result from the completion of such acquisition or disposition.

As used herein the term "ACQUISITION" means every purchase, acquisition by lease, exchange, merger, consolidation, or succession, other than the construction or development of property by or for the Corporation or its subsidiaries or the acquisition of materials for such purpose. As used herein the term "DISPOSITION" means every sale, disposition by lease exchange, merger, consolidation, mortgage, assignment or hypothecation of assets, whether for the benefit of creditors or otherwise, abandonment, or destruction, other than with respect to real property held for use by or for the Corporation other than with respect to real property held for use by or for the Company.

An acquisition or disposition shall be deemed to involve a significant amount of assets if such transaction is required to be disclosed on a Current Report on

Form 8-K through a filing with the U.S. Securities and Exchange Commission.

SECTION 5 - PAYMENT AND ALLOCATION OF AGGREGATE PAYOUT

5.1 ALLOCATION OF AGGREGATE PAYOUT. The Aggregate Payout shall be allocated among the Executives in such amounts and proportions as may be determined by the Chief Executive Officer with, in the case of Executives that are also officers of the Corporation subject to the reporting requirements of Section 16 promulgated under the Securities Exchange Act of 1934, as amended, the approval of the Committee; provided however that 35% of the Aggregate Payout shall be allocated to S. Leslie Flegel. Nothing contained in this Program shall require that the entire Aggregate Payout be allocated or disbursed.

5.2 PAYMENT OF AGGREGATE PAYOUT. The Aggregate Payout shall be disbursed in cash to each Executive in such proportions as they may be allocated in accordance with Section 5.1 as soon as practicable after January 31, 2008, but in any case not later than the date on

which the Annual Report on Form 10-K for the Corporation's fiscal year ending January 31, 2008 is filed with the U. S. Securities and Exchange Commission.

5.3 PAYMENT ON CHANGE OF CONTROL. In the event of a Change of Control, the Aggregate Payout shall be disbursed in cash to each Executive in such proportions as they may be allocated in accordance with Section 5.1 not later than the effective date of such Change of Control.

SECTION 6 - CONDITIONS TO DISBURSEMENT

6.1 WITHHOLDING; UNEMPLOYMENT TAXES. To the extent required by the law in effect at the time payments are made, the Corporation shall withhold from payments made hereunder any taxes required to be withheld by the Federal or any state or local government.

6.2 NO VESTED RIGHT TO DISBURSEMENT. The Program is designed specifically as a bonus program in which each Executive (other than S. Leslie Flegel) have only a mere expectancy and not as a deferred compensation plan, retirement benefit plan or other entitlement program in which the Executives have or may acquire any vested interest of any kind or nature. Therefore, should any Executive cease to be employed by the Corporation for any reason whatsoever prior to the time at which the Aggregate Payout is actually disbursed, no disbursement shall be made to such Executive (or his or her estate), Notwithstanding the foregoing, S. Leslie Flegel shall have a vest right to disbursement in accordance with any then effective agreement between the Corporation and Mr. Flegel with respect to his employment by the Corporation.

SECTION 7 - ADMINISTRATION

7.1 UNSECURED CLAIM, FUNDING AND NON-ASSIGNABILITY. The right of an Executive to receive a distribution hereunder shall be an unsecured claim against the general assets of the Corporation, and no Executive shall have any rights in or against any amount credited to any accounts under this Program or any other assets of the Corporation. The Program at all times shall be considered entirely unfunded both for tax purposes and for purposes of Title I of the Employee Retirement Income Security Act of 1974, as amended. Any disbursement which may be payable pursuant to this Program are not subject in any manner to anticipation, sale, alienation, transfer, assignment, pledge, encumbrance, attachment, or garnishment by creditors of an Executive. The Program constitutes a mere promise by the Corporation to make cash disbursements in the future. No interest or right to receive a disbursement may be taken, either voluntarily or involuntarily, for the satisfaction of the debts of, or other obligations or claims against, such person or entity, including claims for alimony, support, separate maintenance and claims in bankruptcy proceedings.

7.2 ADMINISTRATION OF PROGRAM. An integral part of the Program is the ongoing administration of the Program. The Program shall be administered by the Committee, which shall have the authority, duty and power to interpret and construe the provisions of the Program. The Committee shall have the duty and responsibility of maintaining

records, making the requisite calculations and disbursing the payments hereunder. The interpretations, determinations, regulations and calculations of the Committee shall be final and binding on all persons and parties concerned, absent manifest error. The Committee shall have the right at any time to appoint a person or committee to perform administrative functions delegated to it by the Committee on the administration of the Program.

7.3 EXPENSE OF ADMINISTRATION. Expenses of administration shall be paid by the Corporation. The Committee of the Corporation shall be entitled to rely on all tables, valuations, certificates, opinions, data and reports furnished by any actuary, accountant, controller, counsel or other person employed or retained by the Corporation with respect to the Program.

7.4 RIGHTS OF EXECUTIVE. The sole rights of an Executive under this Program shall be to have this Program administered according to its provisions, to receive whatever benefits he may be entitled to hereunder, and nothing in the Program shall be interpreted as a guaranty that any assets of the Corporation will be sufficient to pay any disbursement payable hereunder. Further, the adoption and maintenance of this Program shall not be construed as creating any contract of employment between the Corporation and any Executive. The Program shall not affect the right of the Corporation to deal with any Executives in employment respects, including their hiring, discharge, compensation, and conditions of employment.

EXHIBIT 10.57

EXECUTIVE PARTICIPATION AGREEMENT TO THE SOURCE INTERLINK COMPANIES, INC. SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN

THIS EXECUTIVE PARTICIPATION AGREEMENT to the Source Interlink Companies, Inc. Supplemental Executive Retirement Plan (hereinafter referred to as the "Participation Agreement") is entered into effective the 1st day of March, 2005, by and between SOURCE INTERLINK COMPANIES, INC. (hereinafter referred to as the "Corporation") and JAMES R. GILLIS (hereinafter referred to as the "Executive"), or hereinafter collectively referred to as "the Parties".

WITNESSETH:

WHEREAS, Executive has given faithful service to the Corporation and is a valued employee of the Corporation and the Corporation desires to encourage the Executive to remain an employee of the Corporation;

WHEREAS, the Corporation has established the Source Interlink Companies, Inc. Supplemental Executive Retirement Plan, effective March 1, 2005, in which said Plan is incorporated herein and made an integral part of this Participation Agreement, to provide Executives with benefits upon their retirement;

WHEREAS, the basic terms and conditions of the Plan were reviewed and approved by the Compensation Committee of the Board of Directors of the Corporation and the Committee duly adopted the Plan by written consent in lieu of a meeting dated February 28, 2005;

WHEREAS, the Board of Directors believes it is in the best interest of the Corporation to enter into this Participation Agreement to assure the Executive's continuing service to the Corporation and to ensure that the retirement benefit expectations of the Executive will be satisfied and are competitive with those of other corporations;

WHEREAS, in order to accomplish all of the above objectives, the Board of Directors has authorized the Corporation to enter into this Participation Agreement; and

WHEREAS, Executive has accepted the invitation of the Corporation to participate in the Plan commencing on the effective date of this Participation Agreement, as evidenced by the Executive's execution of this Participation Agreement; and

NOW THEREFORE, in consideration of the mutual covenants and agreements contained herein, and for other valuable consideration the receipt and adequacy of which is hereby acknowledged, the Parties hereby agree as follows:

1. SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN. The Source Interlink Companies, Inc. Supplemental Executive Retirement Plan (hereinafter referred to as the "Plan"),

effective March 1, 2005, was approved by a majority of the members of the Compensation

Committee of the Board of Directors of the Corporation by written consent in lieu of a meeting dated February 28, 2005. The basic terms and conditions of the Plan are an integral part of this Participation Agreement and are hereby incorporated into this Participation Agreement and made a part of this Participation Agreement. Any and all provisions of the Plan shall govern and be relied upon in relation to this Participation Agreement.

2. CERTAIN DEFINITIONS. As used in this Agreement, the term "Year of Service" means each Year (up to a maximum of 15 Years), commencing on November 1, 2004, during which the Executive is actively and continuously employed by the Corporation on a full-time basis (up to age 65). All other capitalized terms used within this Participation Agreement shall have the meaning as defined and used under the Plan.

3. RETIREMENT BENEFIT.

(a) In recognition of the Executive's role in building the Company and in light of his age relative to other younger Plan Participants, Executive is entitled to receive his full benefit paid, without discount, immediately upon Resignation based on a specific schedule of Plan participation as follows:

(i) 25% of AATYB payable immediately after five (5) Years of Service;

(ii) 30% of AATYB payable immediately after six (6) Years of Service;

(iii) 35% of AATYB payable immediately after seven (7) Years of Service;

(iv) 40% of AATYB payable immediately after eight (8) Years of Service;

(v) 45% of AATYB payable immediately after nine (9) Years of Service;

(vi) 50% of AATYB payable immediately after ten (10) Years of Service;

(vii) 55% of AATYB payable immediately after eleven (11) Years of Service;

(viii) 60% of AATYB payable immediately after twelve (12) Years of Service;

(ix) 65% of AATYB payable immediately after thirteen (13) Years of Service;

(x) 70% of AATYB payable immediately after fourteen (14) Years of Service; or

(xi) 75% of AATYB payable immediately after fifteen (15) Years of Service.

(b) The maximum payout to the Executive is equal to 75% of AATYB.

4. TERMINATION BENEFIT.

(a) Upon Termination for Cause, the right of Executive to benefits under the Plan shall be extinguished and no benefits shall be paid to the Executive.

(b) Upon the Termination of Employment other than in connection with death or a Termination for Cause, Executive's Years of Service shall be deemed to be equal to the greater of five (5) Years or that number of Years of Service otherwise accrued by Executive and Executive shall receive benefits under the Plan in accordance with Section 3 of this Participation Agreement.

5. DISABILITY. If the Executive is determined to be under a Disability, the Corporation shall pay to the Executive a Retirement Benefit as calculated under Section 3 above, but with the following adjustments:

(a) 5% of AATYB payable immediately after one (1) Year of Service;

(b) 10% of AATYB payable immediately two (2) Years of Service;

(c) 15% of AATYB payable immediately three (3) Years of Service; or

(d) 20% of AATYB payable immediately four (4) Years of Service.

6. CHANGE OF CONTROL. In the event of a Change of Control while the Plan and this Participation Agreement remain in effect, there shall be no increase or acceleration of benefits. At any time before the first anniversary of the Change of Control the Executive's employment is terminated for reasons other than for cause, death or Disability, the Corporation shall pay to the Executive a benefit under the Plan in accordance with Section 4(b) of this Participation Agreement.

7. RESTRICTION AND NON-COMPETITION. For so long as the Executive shall have a right to receive or is receiving benefits under the Plan, Executive agrees to continue to observe all provisions under the Executive's Employment Agreement relating to restrictions on the Executive's competitive activities without regard to any time limit on the restrictions.

8. SOURCE OF PAYMENTS. Executive and any other person or persons having or claiming a right to payments hereunder or to any interest in this Participation Agreement or under the Plan shall rely solely on the unsecured promise of Corporation set forth herein and under the Plan, and nothing in this Participation Agreement or the Plan shall be construed to give the Executive or any other person or persons any right, title, interest or claim in or to any specific asset, fund, reserve, account or property of any kind whatsoever owned by Corporation or in which it may have any right, title or interest now or in the future, but the Executive shall have the right to enforce his claim against the Corporation in the same manner as any unsecured creditor.

9. AMENDMENT. This Agreement may be amended at any time or from time to time by written agreement of the Parties.

10. ASSIGNMENT. Neither the Executive nor any other person entitled to payments under this Participation Agreement or the Plan shall have power to transfer, assign, anticipate, mortgage or otherwise encumber in advance any of such payments, nor shall such payments be subject to seizure for the payment of public or private debts, judgments, alimony or separate maintenance, or be transferable by operation of law in the event of bankruptcy, insolvency or otherwise.

11. BINDING EFFECT. This Participation Agreement, along with the terms and conditions of the Plan which is an integral part of this Participation Agreement, shall be binding upon the Parties hereto, their heirs, executors, administrators, successors and assigns.

12. ENTIRE AGREEMENT. The rights and duties as outlined in this Participation Agreement and the Plan shall represent the entire agreement between the Executive and the Corporation as to any benefits which the Executive may become eligible for under this Participation Agreement and the Plan and nothing contained in the Plan or in this Participation Agreement shall alter, limit or otherwise affect the rights and obligations of the Corporation and the Executive under any Employment Agreement.

IN WITNESS WHEREOF, the Parties hereto have executed this Participation Agreement as of the date first above written.

SOURCE INTERLINK COMPANIES, INC.

By /s/ S. Leslie Flegel

Name S. Leslie Flegel
Title Chairman & Chief Executive Officer

EXECUTIVE

/s/ James R. Gillis

JAMES R. GILLIS

To record the approval of the foregoing Agreement by a majority of the members of the Compensation Committee of the Board of Directors of the

Corporation, the following Chairman has hereunto set his hand and seal.

/s/ Aron S. Katzman

Aron S. Katzman, Chairman
Compensation Committee

EXHIBIT 10.58

FORM OF
EXECUTIVE PARTICIPATION AGREEMENT
TO THE SOURCE INTERLINK COMPANIES, INC.
SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN

THIS EXECUTIVE PARTICIPATION AGREEMENT to the Source Interlink Companies, Inc. Supplemental Executive Retirement Plan (hereinafter referred to as the "Participation Agreement") is entered into effective the __st day of _____, 20___ by and between SOURCE INTERLINK COMPANIES, INC. (hereinafter referred to as the "Corporation") and _____ (hereinafter referred to as the "Executive"), or hereinafter collectively referred to as "the Parties".

WITNESSETH:

WHEREAS, Executive has given faithful service to the Corporation and is a valued employee of the Corporation and the Corporation desires to encourage the Executive to remain an employee of the Corporation;

WHEREAS, the Corporation has established the Source Interlink Companies, Inc. Supplemental Executive Retirement Plan, effective March 1, 2005, in which said Plan is incorporated herein and made an integral part of this Participation Agreement, to provide Executives with benefits upon their retirement;

WHEREAS, the basic terms and conditions of the Plan were reviewed and approved by the a majority of the members of the Compensation Committee of the Board of Directors of the Corporation and the Committee duly adopted the Plan by written consent in lieu of a meeting dated February 28, 2005;

WHEREAS, the Board of Directors believes it is in the best interest of the Corporation to enter into this Participation Agreement to assure the Executive's continuing service to the Corporation and to ensure that the retirement benefit expectations of the Executive will be satisfied and are competitive with those of other corporations;

WHEREAS, in order to accomplish all of the above objectives, the Board of Directors has authorized the Corporation to enter into this Participation Agreement; and

WHEREAS, Executive has accepted the invitation of the Corporation to participate in the Plan commencing on the effective date of this Participation Agreement, as evidenced by the Executive's execution of this Participation Agreement; and

NOW THEREFORE, in consideration of the mutual covenants and agreements contained herein, and for other valuable consideration the receipt and adequacy of which is hereby acknowledged, the Parties hereby agree as follows:

1. SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN. The Source Interlink Companies, Inc. Supplemental Executive Retirement Plan (hereinafter referred to as the "Plan"), effective March 1, 2005, was approved by a majority of the members of the Compensation Committeeof the Board of Directors of the Corporation by written consent in lieu of a meeting dated February 28, 2005. The basic terms and conditions of the Plan are an integral part of this Participation Agreement and are hereby incorporated into this Participation Agreement and made a part of this Participation Agreement. Any and all provisions of the Plan shall govern and be relied upon in relation to this Participation Agreement.

2. CERTAIN DEFINITIONS. As used in this Agreement, the term "Year of Service" means each Year (up to a maximum of 15 Years), commencing on _____, 20___, during which the Executive is actively and continuously employed by the Corporation on a full-time basis (up to age 65). All other capitalized terms used within this Participation Agreement shall have the meaning as defined and used under the Plan.

3. NORMAL RETIREMENT BENEFIT.

(a) Upon the Executive's Normal Retirement Date, the Corporation agrees to pay to the Executive a monthly Normal Retirement Benefit for the Executive's lifetime as determined in accordance with the benefit formula set forth below. The amount of such monthly Normal Retirement Benefit will be determined by using the following formula:

(i) 25% of AATYB after five (5) Years of Service;

(ii) 50% of AATYB after ten (10) Years of Service; or

(iii) 75% of AATYB after fifteen (15) Years of Service.

(b) The maximum payout to the Executive is equal to 75% of AATYB.

(c) If the Executive elects to delay receipt of retirement benefit payments until after the age of 65, at such time the Executive elects to commence retirement benefit payments after the age 65, the Corporation shall pay the Executive a monthly retirement benefit for the Executive's lifetime calculated on a present value basis as actuarially discounted at the Plan discount rate of 6.25% or the then current One Year Treasury Rate, whichever is higher.

4. EARLY RETIREMENT BENEFIT. At any time after the Executive reaches age 55 and has been an Executive of the Plan for a minimum of five (5) full Years, the Executive may retire or resign and choose to either:

(a) Delay payments until age 65, at which time the Executive would receive the full current benefit amount at the time of Resignation as calculated payable for the remainder of the Executive's life at the formula level starting at age 65; or

(b) Begin receiving payments immediately at the time of Resignation which

amounts would be actuarially discounted on the present value basis as provided herein and payable for the

remainder of the Executive's life at that reduced level beginning immediately upon retirement or Resignation. If the Executive elects to receive benefits immediately, the Corporation shall pay the Executive a monthly Early Retirement Benefit for the Executive's lifetime calculated on a present value basis as actuarially discounted at the Plan discount rate of 6.25% or the then current One Year Treasury Rate, whichever is higher.

5. TERMINATION BENEFIT.

(a) Upon Termination for Cause of the Employment of the Executive, no benefit shall be payable to the Executive.

(b) Upon the Executive's Termination of Employment by the Corporation before Normal Retirement or Early Retirement for reasons other than for cause, death or Disability, the Corporation shall pay to the Executive, commencing at age 65, a retirement benefit as calculated under Section 3 above, but with the following adjustments:

(i) 5% of AATYB payable at age 65 after one (1) Year of Service;

(ii) 10% of AATYB payable at age 65 after two (2) Years of Service;

(iii) 15% of AATYB payable at age 65 after three (3) Years of Service; or

(iv) 20% of AATYB payable at age 65 after four (4) Years of Service.

6. RESIGNATION BENEFIT. Upon Resignation of the Executive, the Corporation shall pay to the Executive, commencing at Normal Retirement Age, a retirement benefit which shall be calculated in accordance with Section 3 of this Participation Agreement. No benefit shall be payable to the Executive if he has less than five (5) Years of Service from the Entry Date. No benefit shall be payable to the Executive if he has not attained age 55 at the time of the Executive's Resignation.

7. DISABILITY. If the Executive is determined to be under a Disability, he shall receive benefits under the Plan in accordance with Section 5(b) of this Participation Agreement.

8. CHANGE OF CONTROL. In the event of a Change of Control while the Plan and this Participation Agreement remain in effect, there shall be no acceleration of retirement benefits or any other additional benefits. At any time before the first anniversary of the Change of Control the Executive's employment is terminated for reasons other than for cause, death or Disability, the

Corporation shall pay to the Executive a benefit under the Plan in accordance with Section 5(b) of this Participation Agreement.

9. RESTRICTION AND NON-COMPETITION. For so long as the Executive shall have a right to receive or is receiving benefits under the Plan, Executive agrees to continue to observe all provisions under the Executive's Employment Agreement relating to restrictions on the Executive's competitive activities without regard to any time limit on the restrictions.

10. SOURCE OF PAYMENTS. Executive and any other person or persons having or claiming a right to payments hereunder or to any interest in this Participation Agreement or under the Plan shall rely solely on the unsecured promise of Corporation set forth herein and under the Plan, and nothing in this Participation Agreement or the Plan shall be construed to give the Executive or any other person or persons any right, title, interest or claim in or to any specific asset, fund, reserve, account or property of any kind whatsoever owned by Corporation or in which it may have any right, title or interest now or in the future, but the Executive shall have the right to enforce his claim against the Corporation in the same manner as any unsecured creditor.

11. AMENDMENT. This Agreement may be amended at any time or from time to time by written agreement of the Parties.

12. ASSIGNMENT. Neither the Executive nor any other person entitled to payments under this Participation Agreement or the Plan shall have power to transfer, assign, anticipate, mortgage or otherwise encumber in advance any of such payments, nor shall such payments be subject to seizure for the payment of public or private debts, judgments, alimony or separate maintenance, or be transferable by operation of law in the event of bankruptcy, insolvency or otherwise.

13. BINDING EFFECT. This Participation Agreement, along with the terms and conditions of the Plan which is an integral part of this Participation Agreement, shall be binding upon the Parties hereto, their heirs, executors, administrators, successors and assigns.

14. ENTIRE AGREEMENT. The rights and duties as outlined in this Participation Agreement and the Plan shall represent the entire agreement between the Executive and the Corporation as to any retirement benefit which the Executive may become eligible for under this Participation Agreement and the Plan.

IN WITNESS WHEREOF, the Parties hereto have executed this Participation

Agreement as of the date first above written.

SOURCE INTERLINK COMPANIES, INC.

By

Name:
Title

EXECUTIVE

To record the approval of the foregoing Agreement by the members of the Compensation Committee of the Board of Directors of the Corporation, the chairman of such Committee has hereunto set his hand and seal.

Chairman
Compensation Committee

EXHIBIT 10.59

FORM OF
SPLIT-DOLLAR INSURANCE AGREEMENT

THIS AGREEMENT is entered into as of this __st day of _____, 20____ between SOURCE INTERLINK COMPANIES, INC., a Missouri corporation, (hereinafter referred to as the "Employer"), and _____ (hereinafter referred to as the "Employee").

WITNESSETH:

WHEREAS, the Employee has given faithful service to the Employer and is a valued Employee of the Employer and the Employer desires to encourage the Employee to remain an Employee of the Employer; and

WHEREAS, to encourage the Employee to remain an Employee of the Employer, the Employer desires to assist the Employee in establishing a life insurance program.

NOW THEREFORE, in consideration of the mutual covenants and agreements hereinafter set forth, the Employer and the Employee agree as follows:

1. LIFE INSURANCE. The life insurance policy with which this Agreement deals is Policy Number _____ (the "Policy") issued by _____, of _____ (the "Insurer"), on the life of the Employee.

2. RIGHTS OF THE PARTIES.

(a) Employer shall be the sole and exclusive owner of the Policy. This includes all the rights of "owner" under the Policy, subject to paragraph 2(b) below.

(b) Employee shall have the right to designate the beneficiary of a portion of the Policy's death benefit in an amount equal to three times (3x) the Employee's Annual Base Salary. Annual Base Salary shall mean the base hourly rate of compensation payable to the Employee as reflected on the payroll records of the Employer on January 31 of each year multiplied by 2,080.

Employee's rights and economic benefits, either in this Agreement or documented on the Insurer's records, are limited exclusively to the value of one-year death benefit protection stipulated in this paragraph (b).

3. PREMIUM PAYMENT. The entire premium on the policy shall be paid by the Employer as it becomes due.

4. POLICY DIVIDENDS. Policy dividends shall be applied to purchase paid-up additional insurance protection.

5. NO RIGHT TO PURCHASE POLICY. Employee shall not have the option to purchase the Policy.

6. TERMINATION OF POLICY. This Agreement may be terminated by the Employer, with or without the consent of the Employee, by giving notice of termination in writing to the Employee. This Agreement shall terminate automatically upon termination of Employee's employment with the Employer for any reason whatsoever other than the Employee's death.

7. INSURANCE COMPANY NOT LIABLE. The Insurer shall be bound only by the provisions of and endorsements of the Policy and, except as otherwise provided by law, any payments made or action taken by it in accordance therewith shall fully discharge it from all claims, suits and demands of all persons whatsoever with respect to the Policy, unless such actions constitute negligence, willful misconduct or fraud.

8. AMENDING THE AGREEMENT. The Employer and the Employee can mutually agree to amend this Agreement and such amendment shall be in writing and signed by the Employer and the Employee.

9. BINDING EFFECT. This Agreement shall bind the Employer and its successors and assigns, the Employee and his heirs, executors, administrators and assigns, and any Policy beneficiary.

10. ERISA REQUIREMENTS. The following provisions are part of this Agreement and are intended to meet the requirements of the Employee Retirement Income Security Act of 1974:

(a) The Employer shall be the named fiduciary for purposes of ERISA and this Agreement.

(b) The funding policy under this Plan is that all premiums on the Policy be remitted to the Insurer when due.

(c) Direct payment by the Insurer is the basis of payment of benefits under this Plan, with those benefits in turn being based on the payment of premiums as provided in the Plan.

(d) For claims procedure purposes, the "Claims Manager" shall be the Employer, unless another person or organizational unit is designated by the Employer as Claims Manager.

(e) An initial claim for benefits under this Agreement must be made by the Employee or his or her beneficiary in accordance with the terms of this Agreement or the Policy through which the benefits are provided. Not later than 90 days after receipt of such a claim, the Claims Manager will render a written decision on the claim to the claimant, unless special circumstances require the extension of such 90-day period. If such

extension is necessary, the Claims Manager shall provide the Employee or the Employee's beneficiary with written notification of such extension before the expiration of the initial 90-day period. Such notice shall specify the reason or reasons for such extension and the date by which a final decision can be expected. In no event shall such extension exceed a period of 90 days from the end of the initial 90-day period. In the event the Claims Manager denies the claim of an Employee or the beneficiary in whole or in part, the Claims Manager's written notification shall specify, in a manner calculated to be understood by the claimant, the reason for the denial; a reference to the Agreement or insurance Policy that is the basis for the denial; a description of any additional material or information necessary for the claimant to perfect the claim; an explanation as to why such information or material is necessary; and an explanation of the applicable claims procedure. Should the claim be denied in whole or in part and should the claimant be dissatisfied with the Claims Manager's disposition of the claimant's claim, the claimant may have a full and fair review of the claim by the Employer upon written request therefor submitted by the claimant or the claimant's duly authorized representative and received by the Employer within 60 days after the claimant receives written notification that the claimant's claim has been denied. In connection with such review, the claimant or the claimant's duly authorized representative shall be entitled to review pertinent documents and submit the claimant's views as to the issues, in writing. The Employer shall act to deny or accept the claim within 60 days after receipt of the claimant's written request for review unless special circumstances require the extension of such 60-day period. If such extension is necessary, the Employer shall provide the claimant with written notification of such extension before the expiration of such initial 60-day period. In all events, the Employer shall act to deny or accept the claim within 120 days of the receipt of the claimant's written request for review. The action of the Employer shall be in the form of a written notice to the claimant and its contents shall include all of the requirements for action on the original claim. In no event may a claimant commence legal action for benefits the claimant believes are due the claimant until the claimant has exhausted all of the remedies and procedures afforded the claimant by this paragraph.

IN WITNESS WHEREOF the Parties have signed and sealed this Agreement as of the date first above written.

SOURCE INTERLINK COMPANIES, INC.

BY: ----------

NAME:
TITLE:

EMPLOYEE

EXHIBIT 10.60

CONSULTING AGREEMENT

THIS CONSULTING AGREEMENT (this "Agreement") is made and entered into as of February 28, 2005 by and between THE YUCAIPA COMPANIES LLC, a Delaware limited liability company ("Yucaipa") and SOURCE INTERLINK COMPANIES, INC., a Missouri corporation (the "Company").

RECITALS

A. Yucaipa is experienced in providing consulting and financial advisory services to companies; and

B. The Company and its subsidiaries wish to obtain the benefits of Yucaipa's advice and services.

AGREEMENT

NOW, THEREFORE, in consideration of the premises and the mutual covenants of the parties hereto and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the undersigned parties agree as follows:

1. Services. Subject to the provisions of this Agreement, and subject to the supervision of the Board of Directors of the Company (the "Board of Directors"), Yucaipa, through its members, employees or other designated representatives or agents, shall, upon the request of the Board of Directors and/or the Chief Executive Officer, provide the Company with general business consultation and advice regarding strategic planning and development, budgeting, future financing plans, general business and economic matters and such other similar services. The parties acknowledge that advice in connection with a specific transaction or financing shall be as agreed in accordance with Section 3 hereof. As used herein, the Company refers to the Company and its subsidiaries, as the context requires.

2. Fees. Commencing on the date hereof (the "Effective Date"), the Company shall pay to Yucaipa an annual fee, in consideration of the services rendered by Yucaipa pursuant to Section 1 above, equal to One Million Dollars ($1,000,000.00), one-twelfth (1/12th) of which shall be payable in advance on the first day of each calendar month; provided that a prorated portion of such fee will be payable in advance on the Effective Date for the partial month beginning on the Effective Date and ending on the last day of the then current month. The Company shall reimburse Yucaipa for all of its reasonable out-of-pocket costs and expenses incurred in connection with the performance of such obligations. Yucaipa shall bill the Company for the amount of all such costs and expenses monthly, and shall provide the Company with a reasonable itemization and documentation of such costs and expenses. Yucaipa's right to any fees pursuant to this Section 2 shall be conditioned upon (i) the termination of

that certain Management Services Agreement ("Management Services Agreement"), dated May 19, 1999 as amended May 19, 2004 by and between Yucaipa and Alliance Entertainment Corporation, a Delaware corporation ("Alliance"), and (ii) Yucaipa receiving payments of no more than $4,000,000 from Alliance for services rendered in connection with the transaction between Alliance and the Company or the termination of the Management Services Agreement. The

Company acknowledges that Yucaipa shall be paid its monthly fees and reimbursed for its expenses under Section 2 of the Management Services Agreement until the date hereof.

3. Additional Services. The Company and its respective subsidiaries (or any one of them) may, but shall not be obligated to, retain or employ Yucaipa as a financial advisor and/or consultant in connection with any acquisition or disposition transaction by the Company and financial advisory or consulting services in connection with debt or equity financings or equipment lease arrangements or any other services not contemplated by Section 1 above. The Company shall pay to Yucaipa a cash fee for providing any financial advisory or consulting services pursuant to Section 3 in connection with the acquisition or disposition transactions specified above, equal to one percent (1%) of the amount or value of such financing or the transaction value, as the case may be, calculated as agreed upon by the parties.

4. Term of Agreement. The initial term of this Agreement shall commence on the Effective Date and continue for a period of five (5) years ending on the fifth anniversary of the Effective Date. On and after the expiration of the initial term, the term shall be automatically extended on each anniversary of the Effective Date unless either party provides written notice no less than sixty (60) days prior to any anniversary date.

5. Termination.

5.1 Termination by the Company. The Company may elect to terminate this Agreement:

(a) at any time following a determination of the Board of Directors to effect such a termination by giving Yucaipa at least ninety (90) days' written notice of such termination;

(b) if Yucaipa shall fail to reasonably perform any material covenant, agreement, term or provision of this Agreement to be kept, observed or performed by it (other than any failure or alleged failure occasioned by or resulting from force majeure, directly or indirectly) and such failure shall continue for a period of thirty (30) days after written notice from the Company, which notice shall describe the alleged failure with particularity; provided that with respect to material breaches of Sections 7 and 8, termination shall be effective upon written notice from the Company; and

(c) at any time if, in connection with the performance of its

duties hereunder, Yucaipa or any of its members commits (or is grossly negligent in its supervision or hiring of any employee or agent of Yucaipa who commits) any act of fraud, dishonesty or gross negligence which is materially detrimental to the business or reputation of the Company as reasonably determined by the Board of Directors.

5.2 Termination by Yucaipa. Yucaipa may elect to terminate this Agreement:

(a) if the Company shall fail to reasonably perform any material covenant, agreement, term or provision of this Agreement to be kept, observed or performed by it (other than any failure or alleged failure occasioned by or resulting from force majeure,

directly or indirectly) and such failure shall continue for a period of thirty (30) days after written notice from Yucaipa, which notice shall describe the alleged failure with particularity;

(b) if the Company shall fail to make any payment due to Yucaipa hereunder, and if such payment is not made in full within thirty (30) days after written notice of such failure; or

(c) at any time upon giving the Company at least thirty (30) days written notice of such termination.

5.3 Termination for Change of Control. This Agreement may be terminated, at the election of either Yucaipa or the Company, if during the term hereof there shall have been a change in control of the Company, which for purposes of this Agreement shall be deemed to have occurred upon any of the following events: (a) the acquisition after the Effective Date, in one or more transactions, of a "beneficial ownership" (within the meaning of Rule 13d-3(a)(I) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) by any person (other than Yucaipa or any of its members or affiliates) or any group of persons (excluding any group which includes Yucaipa or any of its members or affiliates) who constitute a group (within the meaning of Section 13(d)(3) of the Exchange Act) of any securities of the Company such that, as a result of such acquisition, such person or group beneficially owns (within the meaning of Rule 13d-3(a)(I) under the Exchange Act) 51% or more of the Company's then outstanding voting securities entitled to vote on a regular basis for a majority of the Board of Directors; or (b) the sale of all or substantially all of the assets or capital stock of the Company (including, without limitation, by way of merger, consolidation, lease or transfer) in a transaction or series of related transactions (excluding any sale to Yucaipa or any of its members or affiliates), provided, however, Yucaipa shall not have the right to elect to terminate this Agreement pursuant to this Section 5.3 if S. Leslie Flegel remains the Chief Executive Officer of the Company after an acquisition

described in Section 5.3(a) or any successor entity in any transactions described in Section 5.3(b). As used herein the term "affiliate" refers to any person controlled by, or under common control with, the specified person.

5.4 Payments upon Termination.

(a) In the event of any termination pursuant to Section 5.1(a) (but not pursuant to notices provided under Section 4), Section 5.2(a), 5.2 (b) or Section 5.3, the Company shall pay, or cause to be paid, to Yucaipa a cash termination payment in an amount equal to the remaining unpaid portion of the fees owed under Section 2 for the term in which such termination occurs plus One Million Dollars ($1,000,000.00).

(b) Such amount, if any, which shall be due Yucaipa pursuant to this Section 5.4 in the event of any such termination shall be due and payable to Yucaipa, in full, as of the date of such termination. The parties intend that should the foregoing payments be determined to constitute liquidated damages, such payments shall in all events be deemed reasonable.

(c) In the event of any termination pursuant to Section 5.1(b), 5.1(c) or Section 5.2(c), Yucaipa shall refund to the Company a prorated portion of the fee received by it under Section 2 for the month in which such termination occurs.

5.5 Effect of Termination. Upon any such termination or expiration of this Agreement, the obligations of the parties hereunder shall also terminate, except (i) the Company shall continue to be obligated to Yucaipa for any payments to be received pursuant to Section 5.4(a), if any, and without duplication, for any unpaid fees or expenses owing under Section 2 for periods prior to such termination, (ii) Yucaipa shall continue to be liable for any breach of this Agreement and (iii) the provisions of Sections 6, 7, 8 and 9 shall survive any such termination.

6. Indemnification.

6.1 The Company (the "Indemnifying Party") agrees to indemnify and hold harmless Yucaipa and each of its affiliates, members, partners, officers, agents and the employees of each of them (each an "Indemnified Party" and collectively, the "Indemnified Parties"), from and against all losses, claims, damages or liabilities resulting from any claim, lawsuit or other proceeding by any person to which any Indemnified Party may become subject which is related to or arises out of the performance of the services to be provided hereunder, and will reimburse any Indemnified Party for all reasonable out-of-pocket expenses (including reasonable counsel fees and disbursements) incurred by such Indemnified Party in connection with investigating or defending any such claim. Each Indemnifying Party further agrees that the indemnification and

reimbursement commitments herein shall apply whether or not such Indemnified Party is a formal party to any such lawsuit, claim or other proceedings. The foregoing provision is expressly intended to cover reimbursement of reasonable legal and other expenses incurred in a deposition or other discovery proceeding.

Notwithstanding the foregoing, the Indemnifying Party shall, not be liable to any Indemnified Party (a) in respect of any loss, claim, damage, liability or expense to an Indemnified Party to the extent the same is determined, in a final judgment by a court having jurisdiction, to have resulted from the gross negligence or willful misconduct of any Indemnified Party or any material breach by any Indemnified Party of its obligations under this Agreement, provided, however, that if the Indemnified Party settles or consents to a settlement of any matter prior to such final judgment but after a judgment finding the enumerated conduct, then the Indemnifying Party shall not be liable to the Indemnified Party, or (b) for any settlement effected by such Indemnified Party without the written consent of such Indemnifying Party, which consent shall not be unreasonably withheld.

In the event of the assertion against any Indemnified Party of any such claim or the commencement of any such action or proceeding, each indemnifying Party shall be entitled to participate in such action or proceeding and in the investigation of such claim and, after written notice from such Indemnifying Party to such Indemnified Party, to assume the investigation or defense of such claim, action or proceeding with counsel of the Indemnifying Party's choice at the Indemnifying Party's expense; provided, however, that such counsel shall be reasonably satisfactory to the Indemnified Party. Notwithstanding anything to the contrary contained herein, the Indemnifying Party may retain one firm of counsel to represent all Indemnified Parties in such claim, action or proceeding; provided that the Indemnified Party

shall have the right to employ a single firm of separate counsel (and any necessary local counsel) and to participate in the defense or investigation of such claim, action or proceeding, and the Indemnifying Party shall bear the expense of such separate counsel (and local counsel, if applicable), if (i) in the written opinion of counsel to the Indemnified Party use of counsel of the Indemnifying Party's choice could reasonably be expected to give rise to a conflict of interest, (ii) the Indemnifying Party shall not have employed counsel reasonably satisfactory to the Indemnified Party to represent the Indemnified Party within a reasonable time after notice of the assertion of any such claim or institution of any such action or proceeding or (iii) the Indemnifying Party shall authorize the Indemnified Party to employ separate counsel at the Indemnifying Party's expense.

6.2 If for any reason (other than the gross negligence of, willful misconduct of or material breach of this Agreement by an Indemnified Party referred to above) the foregoing indemnification is unavailable to any

Indemnified Party or insufficient to hold it harmless as and to the extent contemplated by Section 6.1, then the Indemnifying Party shall contribute to the amount paid or payable by the Indemnified Party as a result of such loss, claim, damage or liability in such proportion as is appropriate to reflect the relative benefits received by the Indemnifying Party and its affiliates, on the one hand, and any Indemnified Party, as the case may be, on the other hand, as well, as any other relevant equitable considerations, including without limitation, the relative fault of the Indemnifying Party and its affiliates and any Indemnified Party.

6.3 Notwithstanding anything contained in this Section 6, each Indemnified Party who is also a director, officer or employee of the Company shall not be entitled to any greater indemnification under Section 6.1 and contribution under Section 6.2 than such Indemnified Party would otherwise be entitled to under the charter and by-laws of the Company or any other indemnification agreement to which such Party is a signatory.

7. Nonsolicitation of Employees or Consultants.

During the term of this Agreement and for a period of one year thereafter, Yucaipa shall not, without the prior written consent of the Company, directly or indirectly, hire, retain or solicit or request, cause or induce (other than in all instances through a general advertisement or solicitation not directed at an individual) to leave the employ of, or terminate such person's relationship with the Company or subsidiary thereof, any person who is at the time, or at any time during the 12 months prior thereto was known to Yucaipa to have been, (i) an employee of or, (ii) is known to Yucaipa, to be a consultant to or independent contractor for the Company or Alliance or any subsidiary of the Company or Alliance, devoting substantially all of his or her time to the Company or Alliance, other than an individual who is also a partner of Yucaipa or its Affiliates on the date hereof.

8. Nondisclosure and Nonuse of Confidential Information. Yucaipa shall not disclose or use at any time any Confidential Information (as defined below), of which Yucaipa is or becomes aware, whether or not such information is developed by it. Yucaipa shall take all appropriate steps to safeguard Confidential Information and to protect it against disclosure, misuse, espionage, loss and theft. As used in this Agreement, the term "Confidential Information" means all information of a confidential or proprietary nature (whether or not

specifically labeled or identified as "confidential"), in any form or medium, which relates to the Company or Alliance, their respective subsidiaries or any of their respective business relations and business activities. Confidential Information does not include information which (i) is or becomes generally available to the public other than as a result of a breach of this Agreement, (ii) was within Yucaipa's possession prior to its being furnished to Yucaipa by

or on behalf of the Company or Alliance, provided that the source of such information was not known by Yucaipa to be bound by a confidentiality agreement with or other contractual, legal or fiduciary obligation of confidentiality to the Company or Alliance (iii) is or becomes available to Yucaipa on a non-confidential basis from a source other than the Company or Alliance or any of their representatives, provided that such source was not known by Yucaipa to be bound by a confidentiality agreement with or other contractual, legal or fiduciary obligation of confidentiality to the Company or Alliance or any other party with respect to such information, (iv) is disclosed by the Company or Alliance to a third party without a duty of confidentiality, (v) is independently developed by Yucaipa without use of Confidential Information, (vi) is disclosed under operation of law, or (vii) is disclosed by Yucaipa or their representatives with the Company's prior written approval. The obligation under this Section 8 shall terminate two years after the termination or expiration of this Agreement.

9. Notices. All notices, demands, requests, consents or approvals required or permitted to be given hereunder or which are given with respect to this Agreement shall be in writing and shall be personally served and mailed, registered or certified, return receipt requested, postage prepaid (or by a substantially similar method), or delivered by a reputable overnight courier service with charges prepaid, or transmitted by hand delivery, telegram, telex or facsimile, addressed as set forth below, or such other address as such party shall have specified most recently by written notice. Notice shall be deemed given or delivered on the date of service or transmission if personally served or transmitted by telegram, telex or facsimile. Notice otherwise sent as provided herein shall be deemed given or delivered on the third business day following the date mailed or on the next business day following the delivery of such notice to a reputable overnight courier service.

If to Yucaipa: The Yucaipa Companies LLC
9130 Sunset Blvd.
Los Angeles, California 90069
Attention: Ronald W. Burkle

If to the Company: Source Interlink Companies, Inc
27500 Riverview Center Blvd.,
Suite 400
Bonita Springs, Florida 34134

with a copy to the General Counsel of the Company at the same address.

10. Miscellaneous.

10.1 Entire Agreement: Amendments. This Agreement contains all of the terms and conditions agreed upon by the parties hereto in connection with the

subject matter hereof. This Agreement may not be amended, modified or changed except by written instrument signed by all of the parties hereto.

10.2 Assignment: Successors. This Agreement shall not be assigned and is not assignable by any party without the prior written consent of each of the other parties hereto; provided, however, that (i) Yucaipa may assign, without the prior consent of the Company, its rights and obligations under this Agreement to any partnership or limited liability company controlled by Ronald W. Burkle; (ii) Yucaipa may assign the right to receive any payment hereunder (but not its duties and obligations hereunder) to any other person or entity and (iii) the Company may assign this Agreement to a successor entity in conjunction with the Company's reincorporation. Subject to the preceding sentence, this Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective permitted successors and assigns.

10.3 Governing Law. This Agreement shall be governed by and construed in accordance with the internal domestic laws of the State of New York, without regard to the choice of law provisions thereof.

10.4 Attorneys' Fees. If any legal action is brought concerning any matter relating to this Agreement, or by reason of any breach of any covenant, condition or agreement referred to herein, the prevailing party shall be entitled to have and recover from the other party to the action all costs and expenses of suit, including attorneys' fees.

10.5 Relationship. Nothing in this Agreement shall constitute or be construed to be a partnership or joint venture between the Company and Yucaipa. To the extent appropriate to the duties and obligations hereunder, Yucaipa shall be an independent contractor and none of its employees shall be deemed employees of the Company by reason of this Agreement or the performance of its duties hereunder. This Agreement is for the benefit of the Company and Yucaipa and shall not create third party beneficiary rights.

10.6 Construction and Interpretation. This Agreement shall not be construed for or against either party by reason of the authorship or alleged authorship of any provision hereof or by reason of the status of the respective parties. This Agreement shall be construed reasonably to carry out its intent without presumption against or in favor of either party. The natural persons executing this Agreement on behalf of each party have the full right, power and authority to do and affirm the foregoing warranty on behalf of each party and on their own behalf. The captions on sections are provided for purposes of convenience and are not intended to limit, define the scope of or aid in interpretation of any of the provisions hereof. References to a party or parties shall refer to the Company or Yucaipa, or both, as the context may require. All pronouns and singular or plural references as used herein shall be deemed to have interchangeably (where the sense of the sentence requires) a masculine, feminine or neuter, and/or singular or plural meaning, as the case may be.

10.7 Severability. If any term, provision or condition of this Agreement is determined by a court or other judicial or administrative tribunal to be illegal, void or otherwise ineffective or not in accordance with public policy, the remainder of this Agreement shall not be affected thereby and shall remain in full force and effect and shall be construed in such manner so as to preserve the validity hereof and the substance of the transactions herein contemplated to the extent possible.

10.8 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the some instrument.

[Signature page follows]

IN WITNESS WHEREOF, the parties hereto have caused this Consulting Agreement to be duly executed as of the date first above written.

THE YUCAIPA COMPANIES LLC

By: /s/ Ronald W. Burkle

Name: Ronald W. Burkle
Title: Managing Member

SOURCE INTERLINK COMPANIES, INC.

By: /s/ S. Leslie Flegel

Name: S. Leslie Flegel
Title: Chairman and Chief Executive Officer

[SIGNATURE PAGE TO CONSULTING AGREEMENT]

EXHIBIT 14.1

SOURCE INTERLINK COMPANIES, INC.

CODE OF BUSINESS CONDUCT AND ETHICS

INTRODUCTION

At Source Interlink Companies, Inc., we are committed to always doing the right thing. Operating with a strong sense of integrity is critical to maintaining trust and credibility with our customers, business partners and stockholders. Our reputation for ethical behavior and integrity is one reason why we are considered a leader in our industry. Maintaining that reputation is very important to the Board of Directors and management. This Code of Business Conduct and Ethics has been adopted by our Board of Directors and is specifically designed to be part of an effective program to prevent and detect violations of law. Before you review specific principles, you should have a good sense of our basic principles from which this Code of Business Conduct and Ethics are derived. These basic principles are:

- We will always adhere to the highest standards of loyalty, candor and care in our business dealings;

- We will act honestly and ethically in all aspects of our business, including the disclosure and ethical handling of actual or apparent conflicts of interest between personal and professional relationships;

- We will provide full, fair, accurate, timely and understandable disclosure in reports and documents filed with the U.S. Securities and Exchange Commission and in other public communications;

- We will strictly comply with all laws, rules and regulations applicable to the conduct of our business, including those applicable to transactions in our securities;

- We will protect and properly use our property, assets and confidential information;

- We will promptly report any violations or suspected violations of this Code or other unethical or illegal behavior; and

- We will be accountable for adherence to this Code, including prompt and consistent action against persons who violate the Code.

COMPLIANCE WITH THE CODE

UNDERSTANDING THE CODE

We take this Code very seriously. All members of our Board of Directors and employees, including our principal executive officer, principal financial officer, vice president of finance, and other senior financial and accounting personnel, must follow the ethical standards set forth in this Code and are obligated to report, in a timely fashion, any possible violations of our ethical standards that they may witness. Doing so is not an act of disloyalty, but an action that shows your sense of responsibility and fairness to your fellow employees, our customers, suppliers and shareholders. Reporting in good faith

possible ethical violations by others will not subject you to reprisal. In fact, retaliation or punishment for reporting suspected unethical or illegal conduct by another employee as provided in this Code, or for coming forward to alert the Company of any questionable situation, is against the law.

It is your responsibility to read carefully and understand this Code, but we do not expect this Code to answer every possible question you may have in the course of conducting our business. Furthermore, if you are concerned about an ethical situation or are not sure whether specific conduct meets our standards of conduct, you are responsible for asking your supervisor or other appropriate personnel any questions that you may feel are necessary to understand our expectations of you. A good basis for deciding when to get advice is to ask whether the conduct might be embarrassing to us or the people involved if the details were fully disclosed to the public. If it might, you should seek clarification from your supervisor, manager or other appropriate personnel. To provide with further guidance, we may from time to time in the future adopt more detailed policies and procedures with regard to certain areas covered by this Code and other matters not mentioned in this Code. Those policies and procedures may also be amended or supplemented from time to time. While there is some overlap between the subjects addressed in this Code, those addressed in the Employee Handbook and in separate policies and procedures, each of those materials serves a unique purpose and you should thoroughly read, understand and comply with all of them.

VIOLATIONS OF THE CODE

If you fail to comply with these policies, including supervisors or managers who fail to detect or report wrongdoing, you may be subject to disciplinary action up to and including termination of service. The following are examples of conduct that may result in discipline:

- action that violate one of our policies;
- requesting another to violate one of our policies;
- failure to promptly raise a known or suspected violation of one of our policies; failure to cooperate in our investigations of possible violations of one of our policies;
- retaliation against another person for reporting an integrity concern;
- failure to demonstrate the leadership and diligence needed to ensure compliance with one of our policies and applicable law.

It is important to understand that violation of certain of these policies may subject us and the person involved to civil liability and damages, regulatory sanction and/or criminal prosecution. We are responsible for satisfying the regulatory reporting, investigative and other obligations that may follow the identification of a violation.

REPORTING VIOLATIONS; CONFIDENTIALITY

We have established the following procedures for you to get help with a potential issue or reporting a problem. When you believe you or another person may have violated this Code or an applicable law, rule or regulation, it is your responsibility to immediately report the violation to your supervisor, to a representative of the Source Interlink Ethics Committee or to our Whistleblower Hotline. Similarly, if you are a supervisor and you have received information from a subordinate concerning activity that he or she believes may violate the Code or that you believe may violate the Code, you should report the matter to a

member of the Ethics Committee.

In addition, we have designated a core team of corporate officers who together form the Source Interlink Ethics Committee. These individuals represent another venue for you to pursue your concerns. The members of the Ethics Committee are:

<TABLE>
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Dean Heine	Allan R. Lyons	Douglas J. Bates
Investor Relations Consultant	Chairman, Audit Committee	General Counsel
10 East 40th Street, Suite 3110	27500 Riverview Center Blvd.	27500 Riverview Center Blvd.
New York, New York 100 16	Bonita Springs, Florida 34134	Bonita Springs, Florida 34134
(212) 683-0376	(239) 949-7688	(239) 949-7688

</TABLE>

Throughout this Code, when appropriate, we have designated specific contacts for specific issues. If no contact is listed, please follow the procedure outlined above to report any issues or to ask any questions that you may have. If you don't know where to go, contact one of the members of the Ethics Committee listed above.

All reports and inquires will be handled confidentially to the greatest extent possible under the circumstances. As mentioned above, no person will be subject to retaliation or punishment for reporting suspected unethical or illegal conduct by another person as provided in this Code or for coming forward to alert us of any questionable situation.

We have also established a Whistleblower Hotline (866) 876-6840 which you may call to report (anonymously, if you prefer) any concerns about suspected unethical or illegal conduct, including improper accounting practices or audit-related issues. You may also report (anonymously, if you prefer) any concerns about suspected unethical or illegal conduct, including improper accounting practices or audit-related issues, through our website by completing the form which appears at littp://webserver.sourceinterlink.com,/'about/ investor/IncideiitReportingForm.aspx.

CERTIFICATE OF COMPLIANCE

On an annual basis, we will ask the senior financial personnel of each of our operating units, our principal financial officer and vice-president of finance, and other selected employees to certify that they are "aware of and are in compliance with the Company's policies on ethical behavior." The certificate also requires that these financial officers and other employees list any violations or questionable activities they have witnessed or heard about, or to certify that they are not aware of any such activities.

In addition, all prospective employees will agree as a condition of employment that "if they are employed by the Company" they will comply with our policies with respect to business conduct and ethics. Lastly, new employees will be provided with information on our ethical principles and values, as well as the recommended process for addressing ethical dilemmas.

Once again, we want you and every other employee to report possible violations of our ethical principles whenever you see them or learn about them. In fact, it is a requirement of your employment. And if you don't know whether

something is a problem, ask.

WAIVER OF COMPLIANCE

In certain limited situations, we may waive application of the Code to employees, officers or directors. With respect to officers and directors, any such waiver requires the express approval of our Board of Directors. Furthermore, we will promptly disclose any such waivers granted to any of our officers or directors on our website.

BUSINESS CONDUCT AND PRACTICES

ACCURACY AND RETENTION OF BUSINESS RECORDS

Employees involved in the preparation of our financial statements must prepare those statements in accordance with Generally Accepted Accounting Principles, consistently applied, and any other applicable accounting standards and rules so that our financial statements materially, fairly and completely reflect our business transactions and financial condition. Further it is important that financial statements and related disclosures be free of material errors. In particular, our policy prohibits any employee from knowingly making or causing others to make a materially misleading, incomplete or false statement to an accountant or an attorney in connection with an audit or any filing with any governmental or regulatory entity (such as The Nasdaq Stock Market, Inc. or the U.S. Securities and Exchange Commission).

Our policy also prohibits any employee from directly or indirectly falsifying or causing others to falsify any company, customer or supplier documentation. In addition, an employee must not omit or cause others to omit any material information that is necessary to prevent a statement made in connection with any audit, filing or examination of our financial statements from being misleading. Employees are prohibited from opening or maintaining any undisclosed or unrecorded corporate account, fund or asset or any account with a misleading purpose.

Our Chief Information Officer has the company-wide responsibility for developing, administering and coordinating the record management program which establishes procedures for the retention, storage, retrieval and destruction of all records created or received by us. Records must be maintained to comply with applicable statutory, regulatory or contractual requirements, as well as those pursuant to prudent business practices. Employees can contact our Chief Information Officer for specific information on record retention.

Destruction or falsification of any document that is potentially relevant to a violation of law or governmental investigation may lead to prosecution for obstruction of justice. Therefore, if an employee has reason to believe that a violation of the law has been committed or that a government investigation is about to be commenced, he or she must retain all records (including computer records) that could be relevant to an investigation of the matter, whether conducted by us or by a governmental authority. Questions with regard to destruction or retention of documents in this context should be directed to the Chief Information Officer.

All company books, invoices, records, accounts, funds and assets must be created and maintained to reflect fairly and accurately and in reasonable detail the underlying transactions and disposition of our business. No entries

may be made that intentionally conceal or disguise the true nature of any company transaction.

In addition, if an employee believes that our books and records are not being maintained in accordance with these requirements, the employee should report the matter directly to their supervisor or to a member of the Record Management Committee.

COMPANY PROPERTY

All directors, officers and other employees should protect our assets and ensure their efficient use. Our assets, whether tangible or intangible, are to be used only by authorized employees or their designees and only for our legitimate business purposes.

Employees are not permitted to take or make use of, steal, or knowingly misappropriate our assets, including any of our confidential information, for the employee's own use, the use of another or for an improper or illegal use. Employees are not permitted to remove or dispose of anything of value that belongs to us without our consent. No employee may destroy our assets without permission. Participation in unlawful activities or possession of illegal items or substances by an employee, whether on our property or business or not, jeopardizes the employee's employment.

FRAUDS AND THEFTS

Our policy prohibits fraudulent activity and establishes procedures to be followed to ensure that incidents of fraud and theft relating to us are promptly investigated, reported and, where appropriate, prosecuted. Fraudulent activity can include actions committed by an employee that injure suppliers and customers, as well as those that injure us or our employees.

Employees and agents who suspect that any fraudulent activity may have occurred must immediately report such concern to a member of the Ethics Committee. They should be contacted before any action is taken with respect to the individual accused of perpetrating the alleged business impropriety. Such allegations, if proven to be factual, will lead to the dismissal of the employee, the involvement of local law enforcement and actions to recover our assets and property. No employee or agent may sign a criminal complaint on our behalf without the prior written approval of a member of the Source Interlink Ethics Committee.

PAYMENTS AND GIFTS To THIRD PARTIES

Any payment made to a third party must be made only for identified services that were performed by the third party for us or one or more of our customers. In addition, the payment must be reasonable in relation to the services performed.

Employees are not permitted to give, offer or promise payments or gifts with the intent to influence (or which may appear to influence) a third party or to place such party under an obligation to the donor. Additional restrictions are imposed on dealings with foreign, federal, state or local governmental officials. There are also other public, as well as private, institutions that have established their own internal rules regarding the acceptance of gifts or entertainment. Employees should become familiar with any

such restrictions affecting those with whom they deal.

MONEY LAUNDERING PREVENTION

We are committed to fully complying with all applicable anti-money laundering laws in the United States and throughout the world. To that end, each of our business units has a due diligence process, tailored to its particular business environment, to obtain enough information and documentation about prospective customers, joint venture partners and affiliates to ensure that they are involved in legitimate business activates and that their funds come from legitimate sources.

Each business unit must identify the types of payments that have become associated with money laundering activity (for example, multiple money order or travelers checks, large amounts of cash, or checks on behalf of a customer from an unknown third party) and follow the rules that restrict or prohibit acceptance of them.

If employees encounter a warning sign that may indicate money laundering activity, they must promptly convey their concern to our General Counsel before proceeding further with any transaction.

PRIVACY

It is our policy to protect individual customer, medical, financial and other sensitive personal information that we collect from or maintain about personnel or individual consumers or customers by complying with all applicable privacy and data protection laws, regulations and treaties.

Employees must take care to protect the individually identifiable personnel, consumer or customer information and other sensitive personal information from inappropriate or unauthorized use or disclosure. Furthermore, as required by law and by our privacy policies, employees must provide individual customers with:

- notice of relevant policies
- descriptions of the types of information being collected and the uses to be made of the information
- choices regarding certain uses of the information by our business
- access to the information for verification and correction
- security for the information

Employees may not acquire, use, or disclose individual personnel, consumer or customer information in ways that are inconsistent with our privacy policies or with applicable laws or regulations. Finally, employees should consult with our General Counsel before establishing or updating any system, process or procedure to collect, use, disclose or transmit individual personnel, consumer or customer information, medical or financial records, or other sensitive personal information.

CONFIDENTIAL INFORMATION

Our assets also include confidential and proprietary information relating to our present or planned business that has not been released publicly by our authorized representatives. Confidential information is information not generally known to the public that a company would normally expect to be non-public and that might be harmful to our competitive position or harmful to us or our customers if disclosed, and includes, but is not limited to:

- Computer programs, data, formulas, software and compositions;
- Customer, employee and supplier information;
- Financial data;
- Inventions;
- Manufacturing processes and techniques;
- Marketing and sales programs;
- Compensation information;
- New product designs;
- Possible acquisition or divestiture activity;
- Pricing information and cost data;
- Regulatory approval strategies;
- Research and development information;
- Services techniques and protocols;
- Trade secrets and know-how; and,

- Strategic business plans.

Except as specifically authorized or legally mandated, employees, consultants, agents and representatives are expected to maintain the confidentiality of information entrusted to them by us or our customers and shall not disclose or use, either during or subsequent to their employment by us or during the term of any other relationship with us, any such information they receive or develop during the course of their employment or any such other relationship which is considered proprietary by us or our customers. Confidential information may be disclosed within the company only on a need -to-know basis. Employees should not attempt to obtain confidential information that does not relate to their employment duties and responsibilities.

Employees, consultants, agents, and representatives may not discuss confidential matters in the presence or within hearing range of unauthorized persons, such as in elevators (even on our property), restaurants, taxis, airplanes or other publicly accessible areas. Care should be used in the use of cellular telephones or other means of communication that are not secure. Confidential information may not be discussed with family, relatives, or business or social acquaintances.

In instances where it is appropriate for business reasons to disclose confidential information to third parties, our General Counsel must be contacted before the disclosure for preparation of an appropriate agreement that includes necessary safeguards.

Furthermore, obtaining confidential information from a third party without adequate legal safeguards is improper and may expose us to legal risks. Accordingly, no employee, consultant, agent or representative may accept such information without the advice of our General Counsel and until an agreement in writing has been reached with the offeror. After such information is obtained, its confidentiality must be protected as provided in the agreement.

No employee, consultant, agent or representative may disclose or use any confidential information gained during employment or any other relationship with us for personal profit or to the advantage of the employee or any other person.

No prospective employee may be hired in order to obtain the person's specific knowledge of a former employer's confidential information, nor may any new employee be placed in a position that would inevitably require the individual to disclose or use a former employer's confidential information. Offering a job to an executive of a direct competitor requires the approval of our chief executive officer before any active negotiation is undertaken.

COMPUTER RESOURCES AND COMPUTER SECUFITY

Our computer resources are a valuable portion of our assets. Computer resources include, but are not limited to, all of our processing hardware, software, networks and networking applications and associates documentation. We expect all employees utilizing our computer and other electronic resources to observe the highest standard of professionalism at all times. This includes respecting and maintaining the integrity and security of all of our computer and communication systems, an utilizing those systems only in furtherance of our business. It also includes respecting our values by creating and sending only appropriate business-related messages. To this end, the following policies and principles apply:

- Employees are responsible for ensuring the integrity and confidentiality of their unique user identification codes and passwords. Any suspected breach must be reported to appropriate management immediately.

- Employees are not permitted to access a computer without authorization or exceed authorized access with the intent of securing information contained in our financial records or records concerning customers or other employees.

- Employees are expected to log out of systems that do not support an automated log out process, when leaving them unattended.

- Employees are not permitted to alter damage or destroy information without authorization.

- An employee's misappropriation, destruction, misuse, abuse or unauthorized use of computer resources is prohibited.

- Employees may not obstruct the authorized use of a computer or

information. Employees are not permitted to use our computer resources for personal gain. Computer programs developed by employees using our computer resources and developed within the scope of the employee's employment are our property. All rights to and use of such property are reserved by us.

- We reserve the right to monitor our computer resources in order to prevent their improper or unauthorized use.

- Access to systems, data, and software must be restricted to authorized personnel, preauthorized by an employee's supervisor and consistent with his or her job responsibilities.

- Employees may not utilize electronic mail systems, the Internet, or other electronic facilities for non-business related communications, and must adhere to applicable supervisory and regulatory requirements when utilizing such systems as part of their business function. The viewing downloading or accessing of sexually explicit material is strictly prohibited.

- All employees must comply with applicable copyright laws which impose certain restrictions on the use of computer software.

INTELLECTUAL PROPERTY

Our intellectual property is one of our most valuable assets. Intellectual property includes such things as trade secrets, trademarks, copyrights, editorial content, service marks, and other proprietary information. Employees are required to protect and preserve our intellectual property. In order to do so, employees are required to observe the following guidelines:

- Employees must treat our intellectual property as a trade secret; outside commercial or personal use is strictly prohibited. Any misappropriation of our assets will be treated as theft. In order to protect a trade secret, the information must be properly secured and treated as confidential.

- Innovations are ideas concerning products or manufacturing processes and may be eligible for patent, copyrights, trademark or other trade secret protection. Unauthorized disclosures may jeopardize these valuable protections. Any intellectual property created on our time and /or using our resources is "work made for hire" under copyright law and all rights to such materials belong exclusively to us. Therefore, employees are required to consult with our General Counsel if they have any questions regarding such innovations or ideas.

- Copyright notice should appear on all materials and works produced at our facilities, other than internal memoranda and routine correspondence. Employees must obtain permission from our General Counsel prior to using our name in marketing materials, press releases or press interviews.

Not all intellectual property in use by us is our property. Employees must respect others' intellectual property and use such property only in accordance with the rights expressly granted to us.

As a general rule, U.S. copyright law makes it a federal crime to copy software or related documentation without the express authorization of the copyright owner. In addition, employees are not permitted to remove copyright notices from software or its documentation.

Many other countries have similar laws protecting intellectual property, and employees should consult with our General Counsel before engaging in any activity discussed in this policy.

Copying copyrighted software and issuing additional copies for use by other employees or outside parties is prohibited. Modification of vendor personal computer programs is also prohibited unless we have been granted express rights to do so by the copyright owner. Failure to comply with software license agreements exposes us to potential litigation, and any employee's misconduct in connection therewith is considered as a basis for termination.

Employees may not personally install software purchases on our equipment for use by co-workers; or others without permission and the appropriate license agreement. Our General Counsel can assist employees in preparing, reviewing and/or negotiating license agreements.

"Multimedia" works--works that combine video, text, software and music--are also subject to copyright law, therefore, it is important that all multimedia presentations be reviewed by our General Counsel before they are presented outside our offices to assure that all licensing issues have been properly addressed.

EMPLOYMENT PRACTICES

ENVIRONMENTAL, HEALTH AND SAFETY

It is our policy to provide each of our employees with a safe and healthy workplace. We are also committed to the environment and all employees are expected to support responsible environmental practices and initiatives to protect our communities. To support those policies, employees must abide by all Environmental, Health and Safety rules, regulations and practices and must assume responsibility for taking the necessary precautions to protect themselves, their co-workers and the communities in which we do business. While every employee is not expected to be expert in every health and safety or environmental requirement, employees are expected to understand those requirements that apply to their area of responsibility and to report accidents and unsafe practices or conditions to their supervisors or other designated persons. We will ensure that appropriate, timely action will be taken to correct unsafe conditions. Additionally, our facilities will be subject to periodic Environmental, Health and Safety assessments to help ensure compliance with all applicable laws and regulations.

DRUGS AND ALCOHOL

We expect our employees to report to work in condition to perform their duties, free from the influence of alcohol or non-prescription drugs. Reporting to work under the influence of alcohol or any illegal drug, having an illegal drug in your system, using legal drugs inappropriately or using, possessing or selling illegal drugs while on the job or on our property is forbidden and may result in immediate termination.

Off-the-job involvement with illegal drugs can have an impact on health and safety in the workplace. In order to establish and maintain drug-free work environment, drug testing of employees may occur as permitted by applicable law.

EQUAL EMPLOYMENT OPPORTUNITY

The diversity of our employees represents a tremendous asset. We provide equal employment opportunity in all aspects of employment including:

- Benefits
- Compensation
- Conditions/privileges of employment
- Corrective action Hiring Layoffs
- Recalls and terminations
- Recruiting
- Social/recreation programs
- Transfers
- Any educational assistance
- Upgrading/promotion

In all of these employment aspects, we provide equal employment opportunities to all employees without regard to race, color, creed, religion, national origin, sex, age, disability, physical attributes, sexual orientation or veteran status.

DISCRIMINATION AND HARASSMENT

Source Interlink Companies, Inc. and all of its subsidiaries are committed to providing a work environment free of unlawful discrimination and/or harassment. Discrimination or harassment is said to exist when an employee is treated differently from another employee on the basis of the employee's race, religion, color, sex, age, marital status, national origin, citizenship, sexual orientation, disability, veteran status or any other basis prohibited by law. Workplace discrimination or harassment based on an employee's race, religion, color, age, sex, marital status, national origin, citizenship, sexual orientation, disability, veteran status or any other basis prohibited by law will not be tolerated.

Source Interlink Companies, Inc. does not condone or tolerate any type of unlawful harassment or inappropriate conduct which would constitute sexual harassment or discrimination, and violators of this policy will be subject to disciplinary procedures up to and including termination.

Definition

Sexual harassment has been defined as unwelcome sexual advances, requests for sexual favors and other verbal and physical conduct of a sexual nature, when:

- submission to such conduct is made either explicitly or implicitly as a term or condition of an individual's employment;

- submission to or rejection of such conduct by an individual is used as the basis for employment decisions affecting such individual;

- such conduct has the purpose of unreasonably interfering with an individual's work performance or creating an intimidating, hostile or offensive working environment.

The following are examples of inappropriate conduct that is sexual in nature which, if it occurs at work or at work-related events, is prohibited by us:

- comments, jokes or degrading language or behavior that is sexual in nature;

- sexually suggestive objects, books, magazines(1), dvds(1), photographs, cartoons, pictures, calendars, posters, electronic communications or other materials;

- unwelcome sexual advances, request for sexual favors, or an sexual touching;

- offering favorable terms or conditions of employment benefits in exchange for sexual favors, or threatening less favorable terms or conditions of employment if sexual favors are refused.

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(1) A substantial portion of our business relates to the distribution of magazines, dvds and other home entertainment. Accordingly, possession and handling of sexually suggestive magazines in a manner consistent with the employee's scope of work is not considered inappropriate conduct.

Employee's Responsibility

There are several options available to resolve complaints of any type of unlawful or inappropriate discrimination or harassment, including sexual harassment, or complaints of retaliation for having made such a complaint. You are strongly encouraged to report any incident to your supervisor, your Human Resource representative, our Corporate Human Resource Department or our General Counsel. You may also report an incident (anonymously, if you prefer) on our Whistleblower Hotline (866) 876-6840 or using the Internet (anonymously, if you prefer) using our Incident Reporting Form at http://webserver.sourceinterlink.com/about/investor/IncidentReportingForm.aspx. We are committed to taking prompt and appropriate steps to investigate and resolve any complaints. All calls will be handled as confidentially as possible within the necessary boundaries of the fact finding process and our legal obligations. We strictly forbid retaliation in any form against any employee who brings a complaint of harassment in good faith. Every employee is expected to cooperate in a company-conducted investigation and any retaliation for such cooperation is strictly prohibited.

Management's Responsibility

Managers are responsible for creating a professional work environment free of lawful harassment or discrimination. Managers who have a reasonable belief that unlawful harassment or discrimination is occurring in the workplace must immediately contact our General Counsel.

POLICY AGAINST ANTISOCIAL ORGANIZATIONS

We stand firmly against forces or organizations that threaten the order and security of the public.

WORK AND LIFE RESOURCES

We are committed to respecting employees as individuals and providing an environment that emphasizes a healthy balance between work, personal and family life. We recognize that changing work force and family composition is such that lines between work and personal life can be difficult to separate. An employee's ability to work may, at times, be affected by situations in their personal life. We can assist employees by providing information, resources or programs that better enable our employees to actively manage personal aspects of their lives. Talk to the Human Resources Department for confidential assistance in finding help with work, family, personal matters, legal or financial issues, through an employee assistance program or similar resource.

ENVIRONMENTAL

We are committed to achieving environmental excellence. We strive to avoid adverse impact and injury to the environment and the communities in which we do business.

Employees must seek to minimize the impact of our products, processes, and services on the environment. Facilities must comply with environmental laws and not operate without the required

environmental permits, approvals and controls. Facilities and business units must have an environmental plan in place, must follow that plan and must update it annually. Responsible individuals must keep pollution-control equipment in proper working order. They must submit accurate and timely reports of the environmental information required by us and governmental agencies. Facilities and business units will be subject to periodic audits of regulatory compliance.

CONFLICTS OF INTEREST

GENERAL GUIDANCE

A "conflict of interest" occurs when an individual's private interest interferes in any way--or even appears to interfere--with the interests of the company as a whole. A conflict situation can arise when an employee, officer or director takes actions or has interests that may make it difficult to perform his or her company work objectively and effectively. Conflicts of interest also arise when an employee, officer or directors, or a member of his or her family, receives improper personal benefits as a result of his or her position in the company. Loans to, or guarantees of obligations of, such persons are of special concern.

Business decisions and actions must be based on the best interests of the company. Relationships with prospective or existing suppliers, contractors, customers, competitors or regulators must not affect our independent and sound judgment. Directors, officers and other employees may not have outside interests that conflict or appear to conflict with the best interests of the company. Directors, officers and other employees are expected to act solely for our

benefit and not be influenced by a personal interest that may result from other individual or business concerns. Conflicts of interest are to be scrupulously avoided, and if unavoidable, must be disclosed to us (whether through disclosure to the Board of Directors, in the case of a director or the chief executive officer, or to your super-visor, in any other case) at the earliest opportunity. If you have any uncertainty about whether your actions or relationships present a conflict of interest, contact a member of the Ethics Committee, your supervisor or our General Counsel.

FAMILY MEMBERS AND CLOSE PERSONAL RELATIONSHIPS

Conflicts of interest may arise when doing business with or competing with organizations in which employee's family members have an ownership or employment interest. Family members include spouses, parents, children, siblings, and in-laws. Employees may not conduct business on our behalf and may not use their influence to get us to do business with family members or an organization with which an employee or an employee's family member is associated unless specific written approval has been granted in advance by the officer who leads such employee's business unit.

Directors, officers and other employees may not seek or accept loans or guarantees of obligations from us for themselves or their family members. Furthermore, employees may not seek or accept loans or guarantees of obligations (except from banks), for themselves or their family members, from any individual, organization or business entity doing (or seeking to do) business with us. Employees must report to their supervisor promptly all offers of the above type, even when refused.

OWNERSHIP IN OTHER BUSINESSES

Employees may not own, directly or indirectly, a significant financial interest in any business entity that does or seeks to do business with, or is in competition with, us unless specific written approval has been granted in advance by our General Counsel. As a guide, "a significant financial interest" is defined as ownership by an employee and/or family members of more than 1% of the outstanding

securities/capital value of a corporation or that represents more than 5% of the total assets of the employee and/or family members.

Directors, officers and other employees are prohibited from directly or indirectly buying, or otherwise acquiring right to any property or materials, when such persons know that we may be interested in pursuing such opportunity and the information is not public.

CORPORATE OPPORTUNITIES

It is company policy that directors, officers and other employees may not take for themselves personal opportunities that are discovered through the use of our property, information or position, nor may they use our property, information or position for personal gain. Furthermore, directors, officers and other employees may not compete with us. Directors, officers and other employees have a duty to us to advance our legitimate interests when the opportunity to do so arises.

OUTSIDE EMPLOYMENT, AFFILIATION OR ACTIVITIES

Employee's primary employment obligation is to us. Any outside activity, such as a second job or self-employment, must be completely separate from their activities with us. Employees may not use company customers, suppliers, time, name, influence, assets, facilities, material or services of other employees for outside activities unless specifically authorized by us, as in certain volunteer work.

The following activities require prior written approval from our General Counsel:

- Service as a director, trustee or officer of any business (other than a residential co-operative or condominium board).

- Having an interest in any customers, suppliers of goods or services, or any other person or entity with whom the Company does business or seeks to do business, even if family-related, other than investments made in the employee's personal brokerage accounts as discussed below.

- Voting on, or participating in any business matter involving another company in which the employee has a personal interest, including as a shareholder. However, an employee may exercise his or her rights as a shareholder of a publicly traded company without prior approval.

Further, employees may not do any of the following without first disclosing that fact in writing to their immediate supervisor and to our General Counsel:

- Accept business opportunities, commissions, compensation or other inducements, directly or indirectly, from persons or firms that are customers, vendors or business partners of ours.

- Acquire our property or services on terms other than those available to the general public or those specifically identified by us.

- Engage in any conduct with customers, suppliers of goods or services, or any other person or entity with whom the Company does business or seeks to do business when the conduct might appear to compromise the employee's judgment or loyalty to the Company.

Additionally, if an employee's family member works for a business that is itself in direct competition with us, this circumstance must be disclosed to us.

Except with express written consent, employees who take a paid or unpaid leave of absence cannot use the leave for the purpose of obtaining other employment.

GIFTS, GRATUITIES AND ENTERTAINMENT

Employees and their family members must not accept, directly or indirectly, gifts, gratuities or entertainment from persons, firms, or corporations with whom we do or might do business that are greater than nominal in value. We do not offer gifts, gratuities or entertainment to persons, firms or corporations with whom we do or might do business, except for modest items and reasonable entertainment. Gifts, gratuities or entertainment that affect or give the appearance that the employee's business judgment could be affected must be avoided and refused. Gifts, gratuities and entertainment that are acceptable

are only those that reflect common courtesies and responsible business practice. All gifts, gratuities and entertainment must be properly reported on expense statements.

There are some cases where refusal of a valuable gift would be offensive to the person offering it. This is particularly true when employees are guests in another country, and the gift is something from that country offered as part of a public occasion. In these cases, the employee to whom the gift was offered may accept the gift, report it to a supervisor and, if requested, turn it over to the company.

As a responsible corporate citizen, we can make donations of money or products to worthy causes, including fundraising campaigns conducted by our customers. To remain an appropriate donation, the contribution should not be connected to any specific customer purchases or purchasing commitments.

Customer requests for donations of significant sums of money should be forwarded to a senior-level manager in your business unit. Employees are not permitted to make a donation at a customer's request and then seek reimbursement from the company as a business expense. All corporate donations must be approved and paid by us.

FAIR DEALING

Each employee should endeavor to deal fairly with our customers, suppliers, competitors and employees. No employee should take unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts, or any other unfair-dealing practice.

RELATIONSHIPS WITH SUPPLIERS

We encourage good supplier relations. However, employees may not benefit personally, whether directly or indirectly, from any purchase of goods or services for or from the company. Employees whose responsibilities include purchasing (be it merchandise, fixtures, service, real estate or other), or who have contact with suppliers, must not exploit their position for personal gain. Under no circumstances may any employee receive cash or cash equivalents for any supplier, whether directly or indirectly.

SAMPLES

It is accepted business practice for vendors to distribute samples to potential purchasers. Our policy is that, to the extent necessary to make a reasoned appraisal of new products, samples of such products may be accepted in small quantities only by employees responsible for procuring or merchandising such products.

CONSULTANTS AND AGENTS

Whenever it becomes necessary to engage the services of an individual or firm to consult for or represent us, special care must be taken to ensure that no conflicts of interest exist between us and the

person or firm to be retained. Employees must also ensure that our outside consultants and agents are reputable and qualified. Agreements with consultants or agents should be in writing.

No employee may indirectly or through an agent, do anything prohibited under this Code. Agents are required to observe the same standards of conduct as our employees when conducting business for the Company. These individuals should be given a copy of this manual - "Code of Business Conduct and Ethics." This requirement should be reflected in the agent's written agreement with us.

Compliance with Laws and Insider Trading

We operate strictly within the bounds of the laws, rules and regulations that affect the conduct of our business. Directors, officers and other employees are expected to know and to follow the law. Supervisors, managers or other appropriate personnel must ensure that employees understand the values and are informed of the requirements relating to their jobs. They must also be available to answer employee questions or concerns and to guide them to our other subject-matter experts when necessary. Our suppliers and agents, including representatives and consultants, must be informed as well. There are serious consequences for failing to follow any applicable laws, rules and regulations, up to and including termination of employment.

Our policy against insider trading is designed to promote compliance with securities laws and to protect us as well as our representatives from the very serious liability and penalties that can result from violations of these laws. We are committed to maintaining its reputation for integrity and ethical conduct and this policy is an important part of that effort.

Insider trading is both illegal and unethical. Federal and state securities laws and our policy prohibit the buying or selling of securities on the basis of material, non-public information. Directors, officers and any other employees, at any level, who are aware of non-public material information related to the company or any other businesses, may not directly or indirectly, use such material non-public information in purchasing or selling any of our securities or these businesses. Directors, officers and any other employees prohibited from purchasing or selling our securities or other businesses because they possess material, non-public information, may not have any other person purchase or sell securities on their behalf. Any purchases or sales made by another person on their behalf will be attributable to them. Material non-public information may not be disclosed to any person outside the company (including relatives, friends or business associates and regardless of the purpose for which such disclosure may be made) until authorized we have adequately disclosed the information to the public. For any questions regarding these topics, please consult with our General Counsel.

Short-term investment activity in the our securities, such as trading in or writing options, arbitrage trading or "day trading," is not appropriate under any circumstances, and accordingly is prohibited. In addition, employees should not take "short" positions in our securities.

Transactions in foreign securities markets are subject to the policies and procedures described in this Code. Certain jurisdictions may have stricter requirements than those discussed in this Code, and employees should always consult with our General Counsel with regard to such requirements.

"Material information" is any information that a reasonable investor would consider important in deciding whether to buy, sell or hold securities. Examples include acquisitions and divestitures, changes in key management, large contracts, material contract cancellations, new products or processes, earnings figures and trends, dividend changes and important information on litigation, contracts or joint ventures. In addition, it should be emphasized that material information does not have to relate to a company's business; information about the contents of a forthcoming publication in the financial press that is

expected to affect the market price of a security could well be material. For any questions regarding the materiality of certain information, please consult our General Counsel.

Our executive officers are frequently in possession of non-public material information. To prevent trading in our securities while in possession of such confidential information, all executive officers should consult with our General Counsel before engaging in any trading of our securities. An "executive officer" is an officer of the company or one of its subsidiaries who is required to report his or her company securities and transactions to the Securities and Exchange Commission ("SEC") on SEC Forms 3, 4 and 5.

PRODUCT QUALITY AND REGULATORY COMPLIANCE

We have established and maintain a regulatory compliance system that conforms to company requirements and complies with all applicable laws. We have developed systems to adhere to a variety of regulations applicable to our diverse business functions. Compliance and quality assessment are conducted either by business units or corporate staff to facilitate an objective analysis of operations.

Management is responsible for effectively communicating and training each employee on relevant quality and regulatory standards, the specifications each employee must meet and the procedures each must follow.

Each employee is responsible for the quality of his or her work, and for complying with policies and procedures. Employees must promptly report any violations of the law or suspected instances of nonconformance with procedures to management.

Each employee is personally liable for intentional violations of the law. Employees in a supervisory capacity may be liable for violations committed by employees under their supervision. Every employee is expected to be diligent in preventing, detecting and promptly reporting violations of the law or instances of non-conformance.

MARKETING PRACTICES, ANTITRUST AND UNFAIR COMPETITION

ADVERTISING AND SALES

You are responsible for truthfully conveying product and service attributes. You should not misstate facts or create misleading impressions in any advertising, packaging, literature or public statements. Omissions of important facts or overemphasis of certain material may be misleading; the total impression of the message must be considered.

COMPETITIVE INFORMATION

In the highly competitive global economy, information about competitors, suppliers and customers is a valuable asset. Employees must never seek, obtain or use information in violation of antitrust laws, laws protecting proprietary data or confidential relationships between employees and employers or that is known to have been obtained through unethical means that constitute an invasion of privacy. Appropriate information should be obtained from mutual customers or suppliers, not from the competitor itself.

If information is obtained by mistake that may constitute a trade secret or confidential information of another business, or if employees have questions about the legality of any information gathering process, such employees should contact our General Counsel promptly.

ANTITRUST

It is our policy to comply fully with the antitrust laws that apply to our operations domestically and throughout the world. The underlying principle behind these laws is that a person who purchases goods in the marketplace should be able to select from a variety of products at competitive prices unrestricted by artificial restraints, such a price fixing, illegal monopolies and cartels, boycotts and tie-ins. We believe in these principles of free and competitive enterprise and are firmly committed to them.

Some violations of the antitrust laws are felonies. The U.S. government may also seek civil injunctions. In addition, injured private parties may sue for threefold their actual damages stemming from any antitrust violation, plus an award of attorneys' fees and the costs of bringing suit. In light of all these considerations, antitrust compliance is extremely important to us and all of our employees.

Antitrust and competitions laws are very complex and voluminous and vary from country to country. The brief summary of the law below is intended to help employees recognize situations that have antitrust aspects so that they can then consult our General Counsel.

- Discussion of any of the following subjects with competitors, whether relating to the company's or the competitors' products, is prohibited: past, present or future prices, pricing policies, lease rates, bids, discounts, promotions, profits, costs, terms or conditional sale, royalties, warranties, choice of customers, territorial markets, production capacities or plans and inventories. Selected items of such information may be discussed with competitors who are also suppliers to us or distributors of our manufactured products, but such discussions should be limited to what is necessary in the supplier/distribution context, We can discuss with a supplier/competitor its prices and terms and conditions of sale to us and we can discuss with a dealer/competitor our prices to that dealer for our manufactured products.

- You must not discuss or agree with any competitor about what prices the company and the competitor will charge a customer or customers, nor about other terms (e.g., credit) or conditions of sale.

- Competitive prices may be obtained only from sources other than competitors, such as published lists and mutual customers.

- If at any trade association meeting you become aware of any formal or informal discussion regarding the following topics, you should immediately leave the meeting and bring the matter to the attention of our General Counsel. Such topics include:

    - Prices

- Discounts
- Exclusion of members
- Terms and conditions of sale
- Geographic market or product market allocations/priorities
- Bidding on specific contracts or customers
- Refusal to admit members or to deal with a customer
- Standardization among members of terms, warranties or product specifications

- Consult with our General Counsel and appropriate senior sales management before creating or terminating a relationship with, or refusing to sell to, a dealer, distributor, customer or prospective

customer. While we are free to select our own customers, terminations and refusals to sell often lead to real or claimed antitrust violations.

- Consult with our General Counsel early in the process of evaluating any proposed merger, acquisition or joint venture.

- Distributors and dealers may resell our products in accordance with their contracts at prices they independently establish and generally they may handle any competitive merchandise. You may not come to any understanding or agreement with a distributor or dealer concerning its resale prices. Limits on a distributor's territory or classes of customers must be reviewed with our General Counsel prior to implementation.

- It is against our policy to make our purchases from a supplier dependent on the supplier's agreement to buy from us.

- You may not unfairly disparage or undermine the products or services of a competitor, whether by advertisement, demonstration, disparaging comments or innuendo.

- It is our policy that all customers and suppliers be treated fairly and not be discriminated against.

UNFAIR COMPETITION

Federal and state laws prohibit unfair methods of competition and unfair or deceptive acts and practices. These laws, like antitrust laws, are designed to protect competitors and consumers. While it is impossible to list all types of prohibited conduct, some examples include:

- Commercial bribery or payoffs to induce business or breaches of contracts by others;

- Acquiring a competitor's trade secrets through bribery or theft;

- Making false, deceptive, or disparaging claims or comparisons regarding competitors or their products;

- Mislabeling products; and

- Making affirmative claims concerning one's own products without a reasonable basis for doing so.

In particular, all public statements by or on our behalf, including in connection with advertising, promotional materials, sales representations, warranties and guarantees, should always be truthful and have a reasonable basis in fact and should not be misleading or purposefully made easily susceptible of misinterpretation.

RELATIONS WITH GOVERNMENT AGENCIES AND OUTSIDE ORGANIZATIONS

GENERALLY

We must take special care to comply with all the special legal and contractual obligations applicable to transactions with government authorities. Violations of such laws may result in penalties

and fines, as well as debarment or suspension from government contracting, or possible criminal prosecution of individual employees or the company.

SELLING TO GOVERNMENT INSTITUTIONS

Employees must strictly adhere to the Anti-Kickback Act of 1986, which prohibits government contractors and subcontractors from giving or receiving anything of value in order to receive favorable treatment. In general, when involved with federal government contracts, employees should consult with sales personnel who have experience in this area.

POLITICAL CONTRIBUTIONS AND ACTIVITIES

Employees must obey the laws of the United States and host countries in promoting the our position to government authorities and in making political contributions. Our political contributions to United States federal, state or local political candidates may be prohibited or regulated under the election laws. Employees may not use corporate funds to contribute to a political party, committee, organization or candidate in connection with a federal, state or local campaign without the review and written approval of our General Counsel.

Good communications and relationships with federal, state and municipal elected and appointed officials are important to us. Public officials are customers and require an overall company approach. Please refer to the "Doing Business Internationally" section of this Code concerning relations with foreign government officials.

PERSONAL INVOLVEMENT AND PACs

Employees are encouraged to participate in the political process. Voting, expressing views on public policy, supporting and contributing to candidates and political parties and seeking public office are a few of the ways employees should at all times make clear that their views and actions are their own and are not those of the company. We do not seek to limit the activities in

which employees may participate on their own time, or the gifts or contributions they may voluntarily make with their own funds. Employees who seek elective office or accept appointive office must notify their manager and indicate how the duties of the office will affect their job performances.

GOVERNMENT PROCUREMENT

It is our policy to sell to all customers, including government-related entities, in an ethical, honest and fair manner. Listed below are some of the key requirements of doing business with the government.

- Accurately representing which of our products are covered by government contract.

- Providing high-quality products at fair and reasonable prices.

- Not offering or accepting kickbacks, bribes, gifts or other gratuities.

- Not soliciting or obtaining proprietary or source-selection information from government officials prior to the award of a contract.

- Hiring present and former government personnel only in compliance with applicable laws and regulations.

- Complying with laws and regulations ensuring the ethical conduct of participants in procurement set forth by federal, state and municipal agencies.

RESPONDING To GOVERNMENT AND OTHER INQUIRIES

It is our policy to cooperate with all reasonable requests concerning company operations from United States, state, municipal and foreign government agencies, such as the Federal Trade Commission, and the Department of Justice. Employees must immediately forward any such requests, including requests for interviews or access for government officials to our facilities and documents to our General Counsel and before any responsive action is taken. If you are unclear about your business unit's procedures in responding to such requests, notify our General Counsel immediately and wait for instructions before proceeding. Additionally, employees are not normally permitted to contact any regulatory entity or any governmental authority on our behalf without prior approval of our General Counsel.

For those employees outside of the Legal Department who deal with regulatory entities and governmental authorities on a routine basis as part of their job function, referral to our General Counsel is appropriate where an inquiry or contact is out of the ordinary course of business or involves a potential legal or disciplinary action of any kind.

Similarly, all inquiries or documents received from any attorney or legal representative not affiliated with us must be immediately forwarded to our General Counsel.

TAX VIOLATIONS

We and our employees, whether acting on our behalf or individually, are not permitted to attempt to evade taxes or the payment of taxes. Employees should neither solicit clients on the basis of nor actively participate in assisting clients in attempting to evade the tax laws. We and our employees, whether acting on our behalf or individually, are not permitted to (i) make false statements to tax authorities regarding any matter, (ii) file fraudulent returns, statements, lists or other documents, (iii) conceal property or withhold records from tax authorities, (iv) willfully fail to file tax returns keep required records or supply information to tax authorities, or (v) willfully fail to collect, account for or pay a tax.

To comply with Internal Revenue Service regulations, we require that prizes we award (or any of its U.S. affiliates) to employees in connection with business-related contests and promotions be reported to the Payroll Department for inclusion in the employee's reportable income.

We have additional tax obligations to our employees and tax authorities. For example, we must provide wage statements to our employees, collect and deposit income and employment taxes and obtain licenses for the collection of foreign payment of interest or dividends.

In addition to complying with the tax laws, employees must cooperate fully with any regulatory entity or governmental authority. Moreover, employees may not interfere with the administration of the tax laws (e.g., bribing a tax agent). To that end, employees are required to respond immediately to inquiries from a tax authority, including summons to testify or produce books, accounts, records, memoranda or other papers.

MEDIA RELATIONS

In order to ensure professional and consistent handling, requests from the media should be referred to chief executive officer. Employees may not speak to a member of the media unless previously authorized to do so by the executive responsible for the employee's business unit. All individuals whose communications have been approved must restrict their comments to their specific area of expertise.

The following topics should not be discussed with the media, even during a generally authorized contact, without the prior approval of the specific content to be discussed:

Customer/supplier relationships; Trading information; Financial information; Rumors; Matters of litigation/arbitration involving the company; Regulatory matter involving the company; Proprietary information; Company policy or strategy; Human Resource issues; and Areas beyond the employee's business unit.

If asked about any of these topics, politely explain that is inappropriate for you to comment and refer them to the chief executive officer. Be sure to inform the chief executive of the contact as soon as possible.

INVESTOR RELATIONS

In order to ensure that requirements regarding disclosure of business and financial information are properly complied with, and to ensure the consistency of messages, all inquiries to employees from the financial

community, regardless of their nature, must be directed to our Chief Executive Officer. Under no circumstances are employees, other than the Chief Executive Officer and those specifically designated by him, authorized to speak with financial or securities analysts, institutional or individual investors, stock exchanges or credit rating agencies, or other members of the financial community.

DOING BUSINESS INTERNATIONALLY

GENERALLY

While we must adapt to business customs and market practices in global markets, all employees worldwide will adhere to applicable United States laws and regulations and these standards. Every employee in our international operations will also respect the laws, cultures and customs of all countries in which we operate and will conduct our overseas activities in a way that contributes to development in all such locales.

FOREIGN CORRUPT PRACTICES ACT

We and our employees, agents, distributors and representatives will strictly comply with the United States Foreign Corrupt Practices Act of 1977 (and amendments) (FCPA). The FCPA reaches conduct occurring outside of the territorial boundaries of the United States and applies to our domestic and foreign subsidiaries and to both U.S. citizens and non-U.S. citizens. Under this act:

We and our its shareholders, directors, agents, officers and employees are prohibited from making or authorizing payment of either money or anything of value, directly or indirectly, to non-United States government officials, political parties or candidates for political office outside the United States to win or retain business or influence any act or decision of such officials.

All books, records and accounts, domestic and overseas, must accurately and fairly reflect business transactions and dispositions of our assets.

A system of internal accounting controls must be maintained to provide adequate corporate supervision over the accounting and reporting activities at all levels.

EXPORT CONTROL LAWS

All of our employees and agents and our overseas subsidiaries must be scrupulous in complying with the letter and the spirit of United States export control laws and the export control laws of other countries where we do business.

United States regulations apply to both products and "technical data." Products include those manufactured in the United States, those containing United States parts and those manufactured in countries outside of the United States based on United States technology. Technical data ranges from software to written materials, such as product brochures. Such simple acts as sending a facsimile or allowing a foreign national to tour and observe some manufacturing processes could form the basis for a violation of export control laws.

The export controls of the United States and other countries in which we operate include restrictions on the countries; persons and entities with which we can trade and may in some instances require that licenses be obtained from appropriate governmental authorities before shipment. Exports may also be subject to control, based on the Commerce Control List classification of the items concerned, or based on the end user or end use of the items. Such restrictions apply to both sales and humanitarian gifts. Shipments to any entity outside the restricted countries are also prohibited if you know, or have reason to know that such an entity intends to re-export our goods to one or more of those countries, or to a prohibited end user or end use.

For these reasons, no one should be involved in exports unless they have been trained and are working with the export compliance officer for their division. This includes situations in which we know our domestic customer intends to export what they buy from us or to export that which they want us to donate to them. Each exporting division must have export control procedures and an internal control program to ensure full compliance with applicable export control laws and regulations. Each exporting division will ensure that an export compliance officer is appointed to oversee the program and to provide guidance on political environment, you should check with your export compliance officer if you are uncertain about a shipment. All employees and managers are responsible for advising their export compliance officer of any export control-related occurrence, development or investigation of possible legal significance to us.

IMPORTS

Imports should be made by involving the division's import compliance officer who has been trained in import regulations, including entry procedures, import documentation and record keeping requirements, tariff classification, special duty programs, prohibitions on imports from certain countries, etc.

INTERNATIONAL BOYCOTTS

All employees and agents worldwide must comply with the spirit and letter of United States laws and actions of the United Nations pertaining to activities associated with prohibited foreign economic boycotts.

United States anti-boycott law is intended to prevent businesses from taking any action in support of a boycott imposed by a foreign country upon a country that is friendly to the United States.

These laws prohibit a variety of activities connected with boycotts, including:

- Refusing to do business with boycotted countries and their citizens or companies "blacklisted" from doing business with these countries.

- Furnishing information about our or any person's past, present or prospective relationship with boycotted countries or "blacklisted" companies.

- Furnishing information about any person's race, religion, sex or national origin or membership or supported of charitable organizations supporting a boycotted country.

- Discriminating against individuals or companies on the basis of race, religion, sex or national origin.

- Paying, honoring or confirming letters of credit which contain any conditions or requirements that are prohibited by anti-boycott laws or regulations.

Such language may appear in contracts, purchase orders or shipping documents and you should be attentive to looking for clauses of this nature.

The law also requires that requests for information supportive of a boycott be reported to the United States government. Any such requests should be immediately directed to the Legal Department and they will advise you concerning reporting requirements and procedures.

Any director, officer or other employee who violates this policy, orders another to violate this policy, or knowingly permits a subordinate to violate this policy will be subject to appropriate disciplinary action.

EXHIBIT 14.2

SOURCE INTERLINK COMPANIES, INC. CODE OF ETHICS FOR CHIEF EXECUTIVE OFFICER AND FINANCIAL EXECUTIVES

In my role as an executive of Source Interlink Companies, Inc., I certify to you that I adhere to and advocate the following principles and responsibilities governing my professional and ethical conduct.

To the best of my knowledge and ability:

1. I act with honesty and integrity, avoiding actual or apparent conflicts of interest in personal and professional relationships.

2. I provide constituents with information that is accurate, complete, objective, relevant, timely, and understandable.

3. I comply with rules and regulations of federal, state, provincial and local governments, and other appropriate private and public regulatory agencies. I provide full, fair, accurate, timely, and understandable disclosure to my constituents and/or in reports provided to external constituencies (SEC, shareholders, reporting agencies, etc.).

4. I act in good faith, responsibility, with due care, competence and diligence, without misrepresenting material facts or allowing my independent judgment to be subordinated.

5. Irespect the confidentiality of information acquired in the course of my work except when authorized or otherwise legally obligated to disclose. Confidential information acquired in the course of my work is not used for personal advantage.

6. I share knowledge and maintain skills important and relevant to my constituents' needs.

7. I proactively promote high integrity as a responsible member of my business team and/or in my work environment.

8. I achieve responsible use of and control over all company assets and resources employed or entrusted to me.

9. I will report any known or suspected violations of this code to the Company's General Counsel or the Chairman of the Audit Committee of the Company's Board of Directors.

10. I am accountable for adhering to this code.

Dated:

Signed:

EXHIBIT 14.3

SOURCE INTERLINK COMPANIES, INC.
CODE OF CONDUCT
FOR DIRECTORS AND EXECUTIVE OFFICERS

In my role as a Director or Executive Officer of Source Interlink Companies, Inc., I certify that I adhere to and advocate the following principles and responsibilities governing my professional and ethical conduct.

1. I act with honesty and integrity, avoiding actual and apparent conflicts with the interests of Source Interlink Companies, Inc. A conflict of interest would occur when an individual's private interest interferes - or even appears to interfere - with the interests of the company as a whole. When any issue arises that may present an actual or apparent conflict, I will bring that issue to the attention of our General Counsel or Chairman of our Audit Committee and seek a waiver or recuse myself from action on the particular matter.

2. In acting on any business for Source Interlink Companies, Inc., I comply with rules and regulations of federal, state, provincial and local governments, and other appropriate private and public regulatory agencies, and will act as appropriate within my position to assure that our company complies with such rules and regulations.

3. I understand the requirement that our company provide full, fair, timely and understandable disclosure to its external constituents, including our shareholders, the Securities and Exchange Commission, and other governmental agencies and will take that requirement into proper account in carrying out my duties as a Director or Executive Officer of the Company.

4. I understand that insider trading on the basis of non-public material information is both unethical and illegal and will not be tolerated by the company. As a Director or Executive Officer, I will abide by guidance from the company regarding appropriate periods when trading in the company's securities may be permitted, as well as periods when such trading is not permitted.

5. I respect the confidentiality of company information acquired in the course of my duties as a Director or Executive Officer of the company. Confidential information of the company or its customers may not be used for personal advantage. Confidential information includes all non-public information that might be of use to competitors, or harmful to the company or its customers, if disclosed

6. I understand that business opportunities within the scope of the company's business, as well as reasonable extensions of the scope of that business, represent corporate opportunities of Source Interlink Companies, Inc. and may not be diverted for any separate personal purpose or benefit. I will not take for myself personally any opportunities that are discovered through the use of corporate property, information or position. I will not use corporate property,

information or position for personal gain. I will not compete with the company directly or indirectly. I will

fulfill my duty to the company to advance its legitimate interests when the opportunity to do so arises.

7. I understand that the company has a duty to deal fairly with its customers, suppliers, competitors and employees. It is the company's policy that no employee should take unfair advantage of another through manipulation, concealment, abuse of privileged information, misrepresentation, or any other practice of unfair dealing.

8. I understand that I have an obligation to protect the company's assets and ensure their efficient use and, within the scope of my responsibilities as a director or executive officer, will ensure that company assets are used for legitimate business purposes.

9. As a director or executive officer, I recognize that the company should proactively promote ethical behavior. Through its Code of Business Conduct and Ethics, the company encourages its employees to talk to supervisors, managers, General Counsel or the Human Resources staff when in doubt about the best course of action in a particular situation. The company also encourages that employees report violations of laws, rules, regulations or the Code of Business Conduct and Ethics to the company's Ethic Committee. In addition, the company ensures that its employees know that there will be no retaliation for reports made in good faith. I adhere to and support these principles.

Dated:
_____

Signed:
_____

EXHIBIT 99.1

Contact: Todd Fromer or Michael Cimini
KCSA Worldwide
212-682-6300

SOURCE INTERLINK APPOINTS FIVE MEMBERS TO BOARD OF DIRECTORS

FORMER GOVERNOR OF CALIFORNIA, GRAY DAVIS, AMONG NEW INDEPENDENT MEMBERS TO JOIN COMPANY'S BOARD

BONITA SPRINGS, FL, MARCH 1, 2005 -- SOURCE INTERLINK COMPANIES, INC. (NASDAQ:SORC), today announced, that as provided in the Agreement and Plan of Merger between Source Interlink and Alliance Entertainment Corp., the following five individuals have been appointed to Source Interlink's Board of Directors:

- Governor Gray Davis (Ret.), Of Counsel to Loeb & Loeb, Los Angeles
- Michael R. Duckworth, Partner for The Yucaipa Companies, LLC
- David R. Jessick, Consultant to Rite Aid Corporation
- Gregory Mays, Consultant and Private Investor
- Tony Schnug, Chief Executive Officer of Americold Realty Trust

Three of the five appointees, Messrs. Davis, Jessick and Mays constitute independent members of the Board, and Messrs. Jessick, Mays and Schnug will stand for election at Source Interlink's 2005 Annual Shareholder Meeting in July. Messrs. Davis and Duckworth will stand for election at Source Interlink's Annual Shareholder Meeting in 2006 and 2007, respectively. Combined with six Board members designated by Source Interlink, S. Leslie Flegel, James R. Gillis, A. Clinton Allen, Ariel Emanuel, Allan R. Lyons and Aron S. Katzman, the Company has increased its Board of Directors to a total of 11 members.

Gray Davis is Of Counsel in the Los Angeles office of Loeb & Loeb LLP, a multi-service national law firm. He offers a unique combination of experience, insight and perspective following more than 30 years of public service. As Governor of California, Mr. Davis enacted education reforms that contributed to rising student test scores five years in a row, provided healthcare coverage for one million uninsured children, and acquired 10,000 acres of urban parkland. He continues to work for the public good by taking a leading role in the firm's pro bono activities.

Before joining Loeb & Loeb, Mr. Davis served as Governor (1998-2003), Lieutenant Governor (1995-1999), State Controller (1987-1995), State Assembly Representative for Los Angeles County (1983-1987) and Chief of Staff to Governor Edmund G. Brown, Jr. (1975-1981).

Michael Duckworth is a partner of The Yucaipa Companies, a Los Angeles-based private investment firm specializing in acquiring and operating companies in the retail, distribution, logistics and technology areas. From 2000-2003, he was Managing Director, Investment Banking for Merrill Lynch & Co. in Los Angeles where he was responsible for all client activity including public and private debt, equity and origination and private equity fund raising as well as managing client relationships with west coast private equity firms including Texas Pacific Group, Hellman & Friedman, Leonard Green, Francisco Partners, Fremont, and others. From 1988-2000, Mr. Duckworth served as Managing Director, Financial Sponsor Coverage for Deutsche Bank Securities (formerly Bankers Trust Company). In this role, he originated senior and subordinated debt and equity financings, generated buyout ideas and solicited buy and sell side merger and acquisition assignments.

David Jessick is currently a consultant to Rite Aid Corporation where he served as a Senior Executive Vice President and Chief Administrative Officer from December 1999 to June 2002. Prior to that, from 1997 to 1998, Mr. Jessick was the Chief Financial Officer and Executive Vice President of Finance and Investor Relations for Fred Meyer, Inc. From 1979 to 1996, he was Executive Vice President and Chief Financial Officer at Thrifty Payless Holdings, Inc. He is currently a Director of WKI Holding Company, Inc. (Chairman of the Audit and the Compensation Committees), Pinnacle Foods Group, Inc. and Dollar Financial Corp. (Chairman of the Audit Committee).

Gregory Mays has been a consultant and private investor from February 1999 to present. Throughout his career, Mr. Mays has held numerous executive and financial positions primarily in the supermarket industry, most recently, from 1995 to 1999, as Executive Vice President of Ralphs Grocery. Prior to that, from 1992 to 1995, he was Executive Vice President of Food4Less Inc. From 1990 to 1992, Mr. Mays was Chief Executive Officer and President of Almacs Supermarkets. Mr. Mays is currently a Director and Chief Financial Officer of Simon Marketing.

Tony Schnug is the Chief Executive Officer of Americold Realty Trust. Prior to that, Mr. Schnug had been affiliated with The Yucaipa Companies for more than 12 years. Mr. Schnug served as Executive Vice President of Corporate Operations at Fred Meyer from 1997 to 1998. From 1995 to 1997, he was at Ralphs Grocery Company and oversaw post-merger integrations for both the Ralphs-Food4Less acquisition in 1995 and the Fred Meyer-Ralphs merger in 1997. He also served as Senior Vice President of Administration at Food4Less from 1990 to 1995. Prior to that, Mr. Schnug was the Managing Partner for Sage Worldwide, a wholly owned subsidiary of advertising giant, Ogilvy & Mather. Mr. Schnug is a Director of Digital On-Demand, Inc., and Americold Realty Trust. He is a former Director of Alliance Entertainment Corp.

Leslie Flegel, Source Interlink Chairman and Chief Executive Officer, said, "The

composition of Source Interlink's new Board of Directors is reflective of the evolution of the Company following its merger with Alliance Entertainment to a new, industry-leading home entertainment content provider. These five distinguished individuals possess a broad range of business expertise and influence. We look forward to each of their valuable contributions as we integrate and grow the Company."

ABOUT SOURCE INTERLINK

Source Interlink Companies is a premier direct-to-retail marketing, merchandising and fulfillment company for home entertainment content products. The Company's fully integrated platform consists of two operating divisions: 1) Distribution/Fulfillment - a leading provider of logistical and distribution services to retailers of home entertainment content products including DVDs, CDs, magazines and related merchandise; and 2) In-Store Services - assists retailers with the design, manufacture and implementation of their front-end merchandising programs and Wood Manufacturing which designs and manufactures custom wood displays and store fixtures.

Source Interlink provides its broad range of products and services to more than 100,000 stores operated by leading retailers. Vendor clients include movie studios, record labels, magazine publishers and consumer product manufacturers of confections and general merchandise. For more information on Source Interlink Companies, please visit the company's website, www.sourceinterlink.com.

This press release contains certain "forward-looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934 and the U.S. Private Securities Litigation Reform Act of 1995, including statements relating to, among other things, the expected contributions of the news members of Source Interlink's Board of Directors the execution of integration plans, and any statements of belief and any statements of assumptions underlying any of the foregoing.

These forward-looking statements reflect Source Interlink's current views about future events and are subject to risks, uncertainties, assumptions and changes in circumstances that may cause future events, achievements or results to differ materially from those expressed by the forward-looking statements. Factors that could cause actual results to differ include: (i) the challenges and costs of integration and restructuring, and the ability to achieve anticipated synergies associated with the announced plans to merge Source Interlink and Alliance Entertainment; (ii) the ability to ensure that the new members of Source Interlink's Board of Directors make meaningful contributions to Source Interlink; (iii) an evolving market, (iv) market uncertainty with respect to the merger and acceptance of the combined company's product offerings by customers and partners; (v) adverse changes in general economic or market conditions; (vi) the ability to attract and retain employees; (vii) intense competition in the

marketplace and (viii) other events and other important factors disclosed previously and from time to time in Source Interlink's filings with the Securities and Exchange Commission, including Source Interlink's annual report on Form 10-K for the fiscal year ended January 31, 2004 and Source Interlink's registration statement on Form S-4/A filed with the Securities and Exchange Commission on January 18, 2005.

Source Interlink does not intend to, and disclaims any duty or obligation to, update or revise any forward-looking statements or industry information set forth in this press release to reflect new information, future events or otherwise.

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