

SOURCE INTERLINK COMPANIES, INC.

Audit Committee of the Board

CHARTER

Adopted February 28, 2005

I. Purpose

The Board of Directors (the "**Board**") of Source Interlink Companies, Inc., a Delaware corporation (the "**Company**") has, by resolution duly made and adopted, established and constituted a committee of its members to be designated as the Audit Committee (the "**Committee**"). The Committee shall: (1) oversee the integrity of the Company's financial statements; (2) oversee the Company's compliance with legal and regulatory requirements; (3) oversee the independent auditor's qualifications and independence; (4) oversee the performance of the Company's independent auditor and the internal audit function; and (5) oversee the Company's systems of disclosure controls and procedures, internal controls over financial reporting and compliance with ethical standards adopted by the Company.

II. Structure

2.1 *Number of Members.* The number of directors constituting the Committee shall be not less than three as fixed from time to time by vote of the entire Board.

2.2 *Appointment; Qualifications.* Each member of the Committee shall be appointed by vote of the Board from those of its number who are recommended by the Company's Nominating and Corporate Governance Committee. Each audit committee member will be a person other than an officer or employee of the Company or its subsidiaries or any other individual having a relationship which, in the opinion of the Board, would interfere with the exercise of his or her independent judgment in carrying out the responsibilities of a director. All audit committee members must be independent, including being free of disallowed compensation agreements, under all applicable laws, rules and regulations, including those promulgated by the U.S. Securities and Exchange Commission ("**SEC**") and by the principal national securities exchange or national securities association on which the Company's securities are listed. All audit committee members must comply with all financial literacy requirements of the principal national securities exchange or national securities association on which the Company is listed.

In addition, the Board will determine whether at least one of the directors appointed to membership on the Committee qualifies as an "audit committee financial expert" as that term is defined by applicable rules and regulations promulgated by the SEC. Committee members shall hold office until the next Annual Meeting of the Board, or until their successors shall have been duly appointed and qualified.

Notwithstanding any other provision herein, any member of the Committee may be removed at any time upon the vote of the Board. Committee members shall not simultaneously serve on the audit committees of more than three other public companies.

2.3 *Meetings.* The Committee shall hold meetings in accordance with the Company's Bylaws. The Committee shall meet at least once per quarter. Each regularly scheduled meeting will conclude with an executive session of the committee absent members of management. As part of its

responsibility to foster open communication, the committee will meet periodically with management, the director of the internal audit function and the independent auditor in separate executive sessions. In addition, the committee will meet with the independent auditor and management to discuss the annual audited financial statements and quarterly financial statements, including the Company's disclosures under "Management Discussion and Analysis of Financial Condition and Results of Operations." The Annual Meeting of the Committee shall be held immediately following the Annual Meeting of the Board at the place at which the meeting of the Board is held and no notice of such meeting shall be necessary to the newly appointed members of the Committee in order to legally constitute the meeting provided that a quorum of the members of the Committee is present.

III. Authority and Responsibility

3.1 Charter Review and Reports. Not less frequently than annually, the Committee shall review, evaluate and affirm the adequacy of this Charter and the performance of the Committee, and if necessary, recommend for adoption by the Board any proposals that it deems necessary to fulfill its mandate as expressed herein or under applicable rules and regulations.

3.2 Supervision of Auditors. The Committee is hereby vested with the direct and exclusive authority to appoint, evaluate, retain, terminate, compensate and oversee of the work of any public accounting firm engaged by the Company for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company (an "**Auditor**"). The Auditor shall be accountable solely and report directly to the Committee as representatives of the Board and shareholders of the Company. In furtherance of this authority, the Committee shall:

- Review and pre-approve all auditing services, internal control-related services and permitted non-audit services (including engagement fees and other terms thereof) to be performed for the Company by an Auditor, subject to the de minimis exceptions for non-audit services described in Section 10A(i)(1)(B) of the Securities Exchange Act of 1934, as amended (the "**Exchange Act**");
- Review and evaluate the experience and qualifications of the lead partner of an Auditor annually, and ensure the rotation of the audit partners as required by applicable rules and regulations. The Committee shall consider whether, in order to assure continuing Auditor independence, it is appropriate to adopt a policy of rotating an Auditor firm on a regular basis;
- Evaluate and take appropriate actions to satisfy itself that any such Auditor is qualified and registered with the Public Company Accounting Oversight Board and is independent from the Company and its management, including, without limitation, the evaluation of the qualifications, performance and independence of any such Auditor. The Committee shall present its conclusions with respect to the Auditor to the Board;
- Obtain from any such Auditor, at least annually, a formal written statement delineating (a) all relationships between the Auditor and the Company or any of its management addressing the matters set forth in the Independence Standards Board Standard No. 1, (b) the Auditors' internal quality-control procedures, and (c) any material issues raised by the most recent internal quality-control review, or peer review, of the Auditor, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the Auditor, and any steps taken to deal with any such issues;
- Actively engage in a dialogue with any such Auditor concerning any disclosed relationships or services that may impact the objectivity and independence of the Auditor;

- Review with each such Auditor their proposed audit scope and approach, including the coordination of the audit work with the work performed by the internal accounting personnel;
- Confirm through private discussions with any such Auditors that no restrictions are being placed on the scope of the Auditors' work by management;
- Discuss with each such Auditor at least annually (a) all critical accounting policies, (b) all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, implications of their use and the Auditor's preferred treatment, and (c) any other written communications between the Auditor and management of the Company;
- Affirm that any such Auditors communicate certain matters to the Committee as required by professional standards related to their audit of the Company's annual financial statements (including Statement on Auditing Standards No. 61) and their review of the interim financial information (including Statement on Auditing Standards No. 71);
- Oversee the resolution of any disagreements between management and any such auditor regarding financial reporting; and
- Set hiring policies regarding employees or former employees of any Auditor that are consistent with applicable law.

3.3 Oversight of Financial Reporting Process, Accounting Policies and Internal Controls and Processes. The Committee is hereby vested with the authority to supervise and monitor the establishment and implementation of a system of financial control processes and internal controls and procedures designed to provide reasonable assurance of the reliability of the Company's financial reports. In furtherance of this authority, the Committee shall:

- In consultation with the Auditor and the internal auditor, review the integrity and adequacy of the Company's financial reporting processes (both internal and external) and the internal control structure (including disclosure controls and procedures and internal controls over financing reporting);
- Receive and review any disclosure from the Company's CEO and CFO made in connection with the certification of the Company's quarterly and annual reports filed with the SEC of (a) any significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial data and (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal controls;
- Review each such Auditors' conclusions about the quality of the accounting principles applied to the Company's financial statements;
- Review and discuss with management and the Auditor any significant financial reporting issues and judgments regarding accounting principles and financial statement presentations, including any significant changes in the Company's selection or application of accounting principles;

- Review and discuss with management and the Auditor any significant issues as to the adequacy of the Company's internal controls and the existence, if any, of reportable conditions and material weaknesses, as defined by the American Institute of Certified Public Accountants, and consider the appropriateness of corrective action, if needed, being taken by management;
- Review with the Auditor, the internal audit department and management the extent to which significant changes, improvements or corrective action in financial or accounting practices or internal controls over financial reporting have been implemented;
- Establish, and at least annually review, procedures for (a) the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters, and (b) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters;
- Review in consultation with management and approve all transactions and relationships which if effected would require disclosure under Item 404 of Regulation S-K as promulgated by the U.S. Securities and Exchange Commission;
- Review the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements of the Company;
- Discuss policies with respect to risk assessment and risk management, including appropriate guidelines and policies to govern the process, as well as the Company's major financial risk exposures and the steps management has undertaken to control them;
- Review the significant reports to management prepared by the internal auditing department (or such person or firm performing such function on behalf of the Company) and management's responses thereto;
- Obtain reports from management (including the senior internal audit executive, or such person or firm performing such function on behalf of the Company) and the Auditor that the Company and its subsidiaries are in conformity with applicable legal requirements and the Company's Code of Ethics. Advise the Board with respect to the Company's policies and procedures regarding compliance with such legal requirements and Code of Ethics. Review reports and disclosures of insider and affiliated party transactions; and
- Discuss with management and the Auditor any correspondence with regulators or governmental agencies and any published reports which raise material issues regarding the Company's financial statements or accounting policies.

3.4 Oversight of Documents, Reports and Accounting Information Review. The Committee is hereby vested with the authority to supervise and monitor the Company's compliance with rules and regulations applicable to the public disclosure of financial condition and results of operations. In furtherance of this authority, the Committee shall:

- Review and discuss with management and the Auditors the disclosure and content of the Company's annual financial statements, and other financial data and analysis, including disclosures in management's discussion and analysis, prepared for presentation to the shareholders, and if satisfied with such annual financial statements, to recommend to the Board

that such financial statements and other data be included in the annual report on Form 10-K for the last fiscal year for filing with the U.S. Securities and Exchange Commission;

- Review and discuss with management and the Auditors the disclosure and content of the Company's quarterly financial statements, and other financial data and analysis, including disclosures in management's discussion and analysis, prepared for presentation to the shareholders, and if satisfied with such financial statements, to recommend to the Board that the financial statements be included in the quarterly report on Form 10-Q for the last fiscal quarter for filing with the U.S. Securities and Exchange Commission;
- Deliver an annual Committee Report for inclusion in the Company's annual proxy statement prepared in compliance with the applicable rules and regulations of the U.S. Securities and Exchange Commission;
- Review and discuss with management the Company's earnings press releases, including the use of "pro forma" or "adjusted" non-GAAP information, as well as financial information and earnings guidance provided to analysts and rating agencies;
- Review and discuss with management other relevant reports or financial information submitted by the Company to any governmental body or the public, including management certifications as required by the Sarbanes-Oxley Act of 2002 and relevant reports rendered by the Auditors; and
- Review and discuss with management (including the senior internal audit executive, or such person or firm performing such function on behalf of the Company) and the Auditor the Company's internal controls report and the Auditor's attestation of the report prior to the filing of the Company's Form 10-K.

3.5 Oversight of Internal Audit. The Committee is hereby vested with the authority to supervise and monitor the Company's internal audit function. In furtherance of this authority, the Committee shall:

- Review and advise on the selection and removal of the senior internal auditing executive (or such person or firm performing such function on behalf of the Company);
- Review and discuss with the Auditor and management the internal audit department responsibilities (or such person or firm performing such function on behalf of the Company), budget and staffing and any recommended changes in the planned scope of the internal audit; and
- Periodically review with the internal auditing executive (or such person or firm performing such function on behalf of the Company) any significant difficulties, disagreements with management or scope restrictions encountered in the course of the functions work.

3.6 Authority to Engage Advisors. The Committee is hereby vested with the authority to engage its own outside legal, accounting and other advisors, as it determines necessary to carry out its duties and responsibilities, including the sole authority to approve such advisors' compensation and other retention terms.

3.7 Funding. The Company shall provide for appropriate funding, as determined by the Committee, for payment of compensation to the Auditor, any advisors or experts engaged by the Committee and for the payment of ordinary administrative expenses of the Committee.

3.8 Miscellaneous.

(a) The Committee may perform any other activities consistent with this Charter, the Company's Certificate of Incorporation and Bylaws, and applicable law, as the Committee deems appropriate or as requested by the Board.

(b) The Committee may delegate any of its authority, duties or responsibilities to one or more subcommittees as the Committee may deem appropriate (including the authority to grant pre-approvals of audit and permitted non-audit services, provided that decisions of such subcommittee to grant pre-approvals shall be presented to the full Committee at its next scheduled meeting), consistent with the Company's Certificate of Incorporation and Bylaws, and applicable law.

IV. Limitations

The Committee shall not be responsible for either the preparation of the financial statements or the auditing of the financial statements. Management has the responsibility for preparing the financial statements and implementing internal controls and the independent auditors have the responsibility for auditing the financial statements. The review of the financial statements by the Committee is not intended to be of the same quality, or held to the same professional standards of accounting, as the audit performed by independent auditors.