

Exhibit 2

to the Declaration Of Brendan T. Kehoe, Esq. In Support Of The Associated Press' Motion For Summary Judgment

Consolidated Financial Statements

The Associated Press and Subsidiaries

Years ended December 31, 2009 and 2008

with Report of Independent Auditors

Associated Press

Contents

Report of the Audit and Finance Committee

Dear Mr. Singleton:

Members of the Audit and Finance Committee of The Associated Press (the "Company") met March 17, 2010 at the Company's headquarters in New York City. The Committee members received consolidated financial statements reported upon by Ernst & Young LLP and reviewed them in detail. The report covered The Associated Press and its domestic and foreign subsidiaries.

The scope of procedures used by Ernst & Young LLP in reviewing the results of the Company's worldwide operations was discussed. All questions raised by Committee members in regard to the assets, liabilities, revenue and expenses shown in the financial statements were addressed and answered satisfactorily by Company management or Ernst & Young LLP. Based on these discussions and the representations of management, the Audit and Finance Committee approved the 2009 audited consolidated financial statements.

The Committee thanks the representatives of The Associated Press and Ernst & Young LLP for their assistance and cooperation.

Respectfully submitted,

The Audit and Finance Committee

Michael E. Reed GateHouse Media, Inc. The Leader Corning, NY	**Paul Tash** Times Publishing Co. St. Petersburg Times St. Petersburg, FL	**David Paxton** Paxton Media Group LLC The Paducah Sun Paducah, KY
Mary Junck Lee Enterprises, Inc. Quad City Times Davenport, IA	**David Lord** Pioneer Newspapers, Inc. Bozeman Daily Chronicle Bozeman, MT	**H. Graham Woodlief** Media General, Inc. The News & Advance Lynchburg, VA

Report of Independent Auditors

Audit and Finance Committee and Members of The Associated Press

We have audited the accompanying consolidated balance sheets of The Associated Press and Subsidiaries as of December 31, 2009 and 2008, and the related consolidated statements of income, members' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Associated Press and Subsidiaries at December 31, 2009 and 2008, and the consolidated results of their operations and their cash flows for the years then ended in conformity with US generally accepted accounting principles.

As discussed in Note 1 to the consolidated financial statements, effective January 1, 2008, the Company adopted new accounting guidance for income tax uncertainties.

Ernst + Young LLP

New York, New York

March 12, 2010

The Associated Press and Subsidiaries Consolidated Balance Sheets

December 31 (In Thousands)	**2009**	2008
Assets		
Current assets:		
Cash and cash equivalents	**$ 53,180**	$ 34,543
Accounts receivable, net of allowance for doubtful accounts (2009—$11,519; 2008—$9,551)	**54,834**	64,369
Deferred income taxes	**11,310**	10,713
Prepaid expenses	**8,744**	7,685
Other current assets	**4,590**	6,183
Total current assets	**132,658**	123,493
Fixed assets, net	**185,180**	195,207
Other non-current assets:		
Goodwill	**47,638**	47,638
Deferred income taxes	**126,823**	113,824
Gramling Awards fund	**842**	777
Investments in joint ventures	**12,979**	12,476
Accrued revenue	**2,889**	2,874
Other assets	**4,667**	3,360
Total other non-current assets	**195,838**	180,949
Total assets	**$ 513,676**	$ 499,649
Liabilities and members' equity		
Current liabilities:		
Current portion of long-term debt	**$ 1,103**	$ 1,109
Accounts payable	**10,132**	14,766
Accrued payroll expense	**35,633**	37,568
Accrued coverage-related liabilities	**5,574**	8,723
Taxes payable	**1,635**	1,951
Deferred revenue	**11,956**	16,627
Other accrued liabilities	**32,661**	27,319
Total current liabilities	**98,694**	108,063
Non-current liabilities:		
Long-term debt, net of current portion	**3,053**	4,105
Postretirement and other employee benefits	**306,391**	292,830
Deferred revenue	**196**	712
Debenture bonds	**784**	779
Gramling Awards liability	**842**	777
Other non-current liabilities	**33,697**	34,554
Total non-current liabilities	**344,963**	333,757
Members' equity:		
Operating account	**168,269**	159,454
Accumulated other comprehensive loss	**(98,250)**	(101,625)
Total members' equity	**70,019**	57,829
Total liabilities and members' equity	**$ 513,676**	$ 499,649

See notes to consolidated financial statements.

The Associated Press and Subsidiaries Consolidated Statements of Income

Year ended December 31 (In Thousands)	**2009**	2008
Revenue	**$ 676,150**	$ 747,688
Operating expenses		
Salaries and labor-related	**424,936**	416,628
Assignment and coverage-related	**58,194**	76,460
Communications	**32,773**	35,291
Depreciation and amortization	**42,718**	45,111
Rent and utilities	**43,487**	44,513
Supplies and maintenance	**27,788**	26,770
Other general and administrative	**67,610**	79,271
Total operating expenses	**697,506**	724,044
Operating (loss) income	**(21,356)**	23,644
Other income (expense)		
Equity in income of joint ventures	**10,126**	12,892
Other income	**13,216**	1,000
Interest income	**200**	606
Interest expense	**(587)**	(809)
Total other income	**22,955**	13,689
Income before income taxes	**1,599**	37,333
Income tax (benefit) expense		
Current	**11,259**	10,886
Deferred	**(18,475)**	1,386
Total income tax (benefit) expense	**(7,216)**	12,272
Net income	**$ 8,815**	$ 25,061

The Associated Press and Subsidiaries Consolidated Statements of Members' Equity

(In Thousands)	**Operating Account**	**Accumulated Other Comprehensive Loss**	**Members' Equity**
Balance at December 31, 2007	$ 141,097	$ (51,924)	$ 89,173
Net income	25,061	—	25,061
Adjustments for the change in foreign subsidiaries' fiscal year-end	334	—	334
Minimum pension liability adjustment, net of $26,736 in taxes	—	(40,062)	(40,062)
Foreign currency translation adjustment, net of $2,993 in taxes	—	(9,639)	(9,639)
Comprehensive income (loss)	25,395	(49,701)	(24,306)
Adjustment for the cumulative effect of change in accounting for income taxes	(7,038)	—	(7,038)
Balance at December 31, 2008	159,454	(101,625)	57,829
Net income	8,815	—	8,815
Minimum pension liability adjustment, net of $(3,591) in taxes	—	4,440	4,440
Translation component adjustment related to sale of foreign subsidiary	—	(4,252)	(4,252)
Foreign currency translation adjustment, net of $(1,108) in taxes	—	3,187	3,187
Comprehensive income	8,815	3,375	12,190
Balance at December 31, 2009	**$ 168,269**	**$ (98,250)**	**$ 70,019**

See notes to consolidated financial statements.

The Associated Press and Subsidiaries Consolidated Statements of Cash Flows

Year ended December 31 (In Thousands)	2009	2008
Operating activities		
Net income	$ 8,815	$ 25,061
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization of fixed assets	42,718	44,980
Amortization of other intangible assets	—	131
Gain on sale of foreign subsidiary	(13,216)	—
Gain on sale of assets	—	(492)
Loss on disposal of assets	29	—
Provision for bad debt	1,968	2,045
Equity income from joint ventures (net of distributions)	(503)	(2,975)
Deferred income taxes	(13,596)	(17,819)
Adjustment for change in foreign subsidiaries' fiscal year-end	—	334
Changes in operating assets and liabilities:		
Decrease (increase) in assets:		
Accounts receivable	7,567	(10,169)
Prepaid expenses and other current assets	534	41
Other long-term assets	(337)	3,037
Increase (decrease) in liabilities:		
Deferred revenue and accounts payable	(9,821)	(582)
Taxes payable, coverage-related and other liabilities	1,090	(21,237)
Accrued payroll expense and postretirement and other employee benefits	16,066	35,392
Net cash provided by operating activities	41,314	57,747
Investing activities		
Proceeds from sale of assets	—	579
Proceeds from sale of foreign subsidiary	8,967	—
Fixed asset additions	(32,656)	(59,268)
Investments at cost	(1,050)	(1,000)
Net cash used in investing activities	(24,739)	(59,689)
Financing activities		
Repayments on Facility	—	(69,200)
Borrowings on Facility	—	69,200
Repayments on Promissory Note	—	(750)
Net decrease in long-term debt	(1,058)	(1,167)
Net cash used in financing activities	(1,058)	(1,917)
Effect of exchange rate changes on cash and cash equivalents	3,120	(8,533)
Increase (decrease) in cash and cash equivalents	18,637	(12,392)
Cash and cash equivalents at beginning of year	34,543	46,935
Cash and cash equivalents at end of year	$ 53,180	$ 34,543
Supplemental disclosure of cash flow information		
Cash paid during the year for:		
Interest	$ 450	$ 643
Income taxes	$ 7,581	$ 13,328

See notes to consolidated financial statements.

The Associated Press and Subsidiaries Notes to Consolidated Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Operations

The Associated Press ("AP" or the "Company") is a New York not-for-profit corporation with a regular membership of 1,500 US daily newspapers and an associate membership of broadcasters and non-daily newspapers. Founded in 1846, AP is the oldest and one of the largest news agencies in the world, serving as a source of news, photos, graphics, audio and video for more than one billion people daily. In the United States alone, AP serves approximately 1,700 newspapers and 5,000 radio and television stations. AP also serves newspapers, radio and television subscribers internationally.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported therein. Estimates made are based on management's best assessment of the current business environment. Actual results could differ from those estimates.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. Investments in 50% owned joint ventures are accounted for under the equity method of accounting. Investments in affiliates of 20% or less are accounted for using the cost method and included in other assets. All intercompany transactions have been eliminated in consolidation.

New Accounting Pronouncements

Effective July 1, 2009, AP adopted new accounting guidance related to the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("Codification") and the hierarchy of generally accepted accounting principles. This new accounting guidance establishes the Codification as the source of authoritative US generally accepted accounting principles recognized by the FASB to be applied by nongovernmental entities. The adoption of this new guidance did not have any impact on the Company's financial position, results of operations, or cash flows.

Effective June 30, 2009, the Company adopted new accounting guidance on subsequent events that establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. The adoption of this new guidance did not have a material impact on the Company's financial position, results of operations, or cash flows through March 12, 2010.

Effective January 1, 2009, AP adopted new accounting guidance on employers' disclosures about postretirement benefit plan assets. The new guidance requires the Company to include information about investment strategies, major categories of plan assets, concentrations of risk within plan assets and valuation techniques used to measure the fair value of plan assets.

Management believes the impact of other recently issued standards, which are not yet effective, will not have a material impact on the Company's consolidated financial position, results of operations, or cash flows upon adoption.

Change in Subsidiaries' Fiscal Year-end

During 2008, the Company changed the fiscal year end of certain of its foreign subsidiaries from November 30 to December 31 to conform to the fiscal year end of the Company. Previously, these subsidiaries were consolidated and reported on a one-month lag. Accordingly, the net activity shown below for the one-month period ended December 31, 2007 for these subsidiaries is reported in the accompanying financial statements as an adjustment to members' equity in 2008.

(In Thousands)	
Revenue	$ 4,323
Operating income	$ 602
Income tax expense	$ 268
Net income	$ 334

If the subsidiaries had remained on a one-month lag, the Company's consolidated net income for the year ended December 31, 2008 would have been $24.3 million.

Related Parties

The Company is a membership cooperative whose members are not entitled to dividends or similar distributions. There were no individual members that could exercise significant influence on the Company to an extent that would warrant separate disclosure in these financial statements.

The Company has entered into certain transactions in the ordinary course of business with its members and unconsolidated joint ventures. These transactions have been executed on terms that management believes are comparable to those with unrelated third parties and primarily include revenue share arrangements with members, leasing of office space from members, and the sale of digital products to the Company's unconsolidated joint ventures.

Foreign Currency Translation

The US dollar is the functional currency for the majority of the Company's international operations; however, for certain international subsidiaries the local currency is used as the functional currency.

For locations where the US dollar is the functional currency, foreign currency assets and liabilities are remeasured into US dollars at end-of-period exchange rates, except for nonmonetary balance sheet accounts, which are recorded at historical exchange rates. Revenues and expenses are recorded at average exchange rates in effect during each period. Gains or losses from foreign currency remeasurement are included in net earnings.

For locations where the local currency is the functional currency, assets and liabilities are translated at end-of-period rates, while revenues and expenses are translated at average rates in effect during the period. Equity is translated at historical rates and the resulting cumulative translation adjustments are included as a component of accumulated other comprehensive loss.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

The consolidated statements of income reflect foreign exchange transaction gains of $81,000 in 2009 and losses of $3.7 million in 2008 from settling assets and liabilities denominated in foreign currencies, including the effects of any hedging activities.

From time to time the Company enters into short-term foreign currency forward contracts as a hedge against sterling denominated payroll and rent costs. The Company realized gains of $1.9 million in 2009 and losses of $4.2 million in 2008 on these forward contracts. No forward contracts were open as of December 31, 2009 or 2008.

Revenue and Expense Recognition

The Company's primary source of revenue is from subscription contracts with newspapers, radio and television stations and internet news site providers. The Company also recognizes revenue from the licensing of photos, video and graphics from its historical archives as well as from licensing ENPS, a newsroom production system for broadcasters.

Revenue is recognized when all of the following criteria are satisfied: (i) persuasive evidence of an arrangement exists; (ii) the price is fixed and determinable; (iii) collectibility is reasonably assured; and (iv) services have been performed. For ENPS transactions, the Company also follows accounting guidance issued for software revenue recognition.

Revenue on non-cancelable multi-year service arrangements is recorded on a straight-line basis over the contract term. Future portions of these revenues are recorded as accrued or deferred revenue. Revenue collected in advance is deferred, and recognized when earned.

Taxes collected from customers and remitted to governmental authorities are presented on a net basis in the consolidated financial statements.

Expenses are recorded on the accrual basis.

Cash and Cash Equivalents

AP invests surplus cash in money market funds. AP considers investments with maturities of three months or less, when acquired, to be cash equivalents. The carrying amount reported in the consolidated balance sheets for cash and cash equivalents approximates fair value.

Accounts Receivable

Accounts receivable are presented net of an allowance for doubtful accounts, which is based upon factors surrounding the credit risk of customers, historical experience, receivables aging, and current economic trends.

Fixed Assets

Fixed assets are stated at cost. Depreciation and amortization, including amortization of capital leases, are computed on the straight-line method based on the following estimated useful lives:

Furniture and fixtures	10 years
Leasehold improvements	Life of lease
Software	3-5 years
Computers	4 years
Capital leases	Life of lease
Equipment	3-7 years

The Company capitalizes qualifying computer software costs and amortizes these costs using the straight-line method. Expenses incurred in the preliminary project stages, such as research and feasibility studies, as well as costs incurred post-implementation such as maintenance and training, are expensed. During 2009 and 2008, the company capitalized software costs of $16.0 million and $16.9 million, respectively, primarily related to system replacements and upgrades.

AP records fixed asset impairment losses, if any, on assets used in operations when indicators of impairment are present and the fair values based upon undiscounted cash flows estimated to be generated from those assets are less than the assets' carrying amounts.

Goodwill and Long-lived Assets

Goodwill represents the excess of acquisition costs over the fair value of the net assets acquired. The purchase price of acquisitions is allocated to the assets acquired and liabilities assumed based on the fair value as of the acquisition date. Goodwill is not amortized but is subject to an annual impairment test or more frequent testing if circumstances indicate that the carrying amount of the operating unit to which the goodwill pertains is greater than its fair value.

AP assesses long-lived assets, including intangible assets subject to amortization, for impairment when an impairment indicator exists, or when events or circumstances indicate that the carrying amount of those assets may not be recoverable. Impairments of intangible assets are recognized when the carrying value of the assets is less than the expected cash flows of the assets on an undiscounted basis and the related impairment is measured as the difference between the expected cash flows of the assets on a discounted basis and the carrying value of the assets.

At December 31, 2009 and 2008, AP completed its annual assessments for goodwill impairment, using a discounted cash flow approach consisting of a study of variables, such as revenue and expense projections, projected capital spending, and discount rates, to determine the fair value of the Company's various ongoing businesses. No impairments were identified in 2009 or 2008.

Gramling Awards Fund

Oliver Gramling, a former AP newsman who launched the AP broadcast news wire in 1941, bequeathed his estate to AP to create an annual awards program for AP staffers. The Gramling Awards began in 1994 and recognize outstanding AP staffers each year. Awards are financed by a portion of the investment income earned on the fund's principal.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Income Taxes

AP is considered a C corporation for federal tax purposes. Income taxes are provided under the liability method, whereby deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial statement and income tax purposes, as determined under enacted tax laws and rates. The financial effect of changes in tax laws or rates is accounted for in the period of enactment.

Effective January 1, 2008, the Company adopted new accounting guidance for income taxes, which changed the Company's policy related to the accounting for income tax uncertainties. If the Company considers that a tax position is "more likely-than-not" of being sustained upon audit, based solely on the technical merits of the position, it recognizes the tax benefit. The Company measures the tax benefit by determining the largest amount that is greater than 50% likely of being realized upon settlement, presuming that the tax position is examined by the appropriate taxing authority having full knowledge of all relevant information. These assessments can be complex and the Company often obtains assistance from external advisors. To the extent that the Company's estimates change or the final tax outcome of these matters is different than the amounts recorded, such differences will impact the income tax provision in the period in which such determinations are made.

If the initial assessment fails to result in the recognition of a tax benefit, the Company regularly monitors its position and subsequently recognizes the tax benefit if (i) there are changes in tax law or analogous case law that sufficiently raise the likelihood of prevailing on the technical merits of the position to more likely-than-not, (ii) the statute of limitations expires, or (iii) there is a completion of an audit resulting in a settlement of that tax year with the appropriate agency. Uncertain tax positions are classified as current only when the Company expects to pay cash within the next twelve months. Interest and penalties, if any, are recorded within the provision for income taxes in the Company's consolidated statements of income and are classified on the consolidated balance sheets with the related liability for unrecognized tax benefits.

Fair Value Measurements

The Company recognizes assets and liabilities disclosed in the financial statements at fair value. Fair value is an exit price, representing the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants based on the highest and best use of the asset or liability. The Company has adopted a fair value hierarchy that categorizes investments (as Level 1, 2 or 3) based on the valuation techniques and inputs used to measure fair value. Level 1 investments are those with unadjusted quoted prices in active markets for identical assets and liabilities; Level 2 investments have inputs (other than quoted prices in active markets for identical assets and liabilities) that are directly or indirectly observable for the full term of the asset or liability; and Level 3 investments have unobservable inputs, with valuation based more on management's own estimates and assumptions about the market.

Pensions and Postretirement Benefits

The Company sponsors several defined benefit and defined contribution pension plans and has several plans which provide for postretirement health care and life insurance benefits to eligible employees.

The Company recognizes the overfunded or underfunded status of the defined benefit and other postretirement plans as an asset or liability and recognizes changes in the funded status as a component of accumulated other comprehensive income within the equity section of the balance sheet in the year in which the changes occur.

Plan assets are valued in accordance with current guidelines for fair value measurements and classified in accordance with the fair value hierarchy. Level 1 investments include equity securities traded on major financial markets and pooled equity or short-term investment funds held with registered investment companies (all valued at the reported closing price), as well as those government and corporate bonds for which quoted prices are available in an active market. Level 2 investments include pooled equity or short-term investment funds held with common collective trusts, government and corporate bonds for which quoted prices are not available, and investments in certain derivative instruments and limited partnerships. Level 3 investments consist principally of real estate investments and other fixed income funds.

In 2009, the Company offered an enhanced retirement option to employees meeting certain age and/or years of service criteria (the "Voluntary Early Retirement Program") and also implemented a selective reduction-in-force ("RIF") program. Pension and other postretirement benefits costs associated with the special termination benefits of the Voluntary Early Retirement and RIF programs totaled $5.0 million during 2009.

Foreign Severance Indemnities

AP provides for foreign severance indemnities as required by the statutes of, or the customary practice in, the respective jurisdictions. Net accrued foreign severance liabilities included in postretirement and other employee benefits were $10.2 million and $9.0 million at December 31, 2009 and 2008, respectively.

Comprehensive Loss

Accumulated balances related to each component of accumulated other comprehensive loss, net of tax, are as follows:

December 31 (In Thousands)	**2009**	2008
Foreign currency translation adjustment	**$ (9,326)**	$ (8,261)
Unrealized losses and costs of benefit plans	**(88,924)**	(93,364)
Accumulated balance	**$ (98,250)**	$(101,625)

Reclassifications

Certain reclassifications have been made to prior year amounts to conform to the current year presentation.

2. FIXED ASSETS

The components of the Company's fixed assets are as follows:

December 31 (In Thousands)	2009	2008
Furniture and fixtures	$ 25,863	$ 25,289
Leasehold improvements	134,932	132,505
Software	100,267	84,301
Computers	53,706	60,721
Capital leases	11,548	11,548
Equipment	115,711	117,985
Work in progress	3,068	4,287
Total fixed assets, at cost	445,095	436,636
Accumulated depreciation and amortization	(259,915)	(241,429)
Net	$ 185,180	$ 195,207

At December 31, 2009 and 2008, work in progress consisted primarily of software development and related costs.

3. JOINT VENTURES

AP has a 50% equity interest in STATS LLC, a joint venture with News America Incorporated. STATS LLC provides sports information and statistical sports data to online and media customers globally.

AP also has a 50% equity interest in Sports News Television, which provides global sports news video services to international broadcasters.

Summary financial information for the joint ventures is as follows:

December 31 (In Thousands)	2009	2008
Current assets	$ 17,195	$ 14,990
Long-term assets	31,160	25,530
Total assets	48,355	40,520
Current liabilities	(13,287)	(11,085)
Long-term liabilities	(12,578)	(7,500)
Total liabilities	(25,865)	(18,585)
Net assets	$ 22,490	$ 21,935

December 31 (In Thousands)	2009	2008
Total revenue	$ 69,681	$ 64,884
Total expense	(49,429)	(39,100)
Joint venture income	$ 20,252	$ 25,784

4. INCOME TAXES

The provision for income taxes consists of:

Year ended December 31 (In Thousands)	2009	2008
Current:		
Federal	$ —	$ 449
State and local	1,791	1,785
Foreign	9,468	8,652
Total current	11,259	10,886
Deferred:		
Federal	(19,184)	(371)
State and local	1,038	77
Foreign	(329)	1,680
Total deferred	(18,475)	1,386
Total	$ (7,216)	$ 12,272

The differences between income tax expense at the US federal statutory rate of 35.0% and actual income taxes provided for at the Company's effective tax rate are as follows:

Year ended December 31 (In Thousands)	2009	2008
Income tax expense at federal statutory rate	$ 559	$ 13,067
State and local income tax expense (benefit), net of federal effect	(981)	1,764
Adjustments to deferred tax assets	(6,054)	(3,791)
Tax expense (benefit) of foreign operations	(2,364)	497
Change in state tax rate, net of federal effect	2,809	—
Adjustments to tax credits	—	891
Permanent differences and other	(1,185)	(156)
Income tax expense (benefit) at effective rate	$ (7,216)	$ 12,272

Under the liability method, deferred tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse.

Significant components of deferred taxes are as follows:

December 31 (In Thousands)	2009	2008
Postretirement benefits other than pensions	$ 40,796	$ 40,251
Pension accruals	72,116	67,466
Deferred rent and tenant incentive liabilities	9,869	10,178
Compensation related accruals	11,435	4,025
Foreign tax credits	617	1,102
Bad debt reserve	4,262	3,640
Depreciation and amortization	(2,697)	(2,147)
Other	1,735	22
Net deferred tax assets	$138,133	$124,537
Current	11,310	10,713
Non current	126,823	113,824

4. INCOME TAXES
(CONTINUED)

In 2008, the Company recognized a $7.0 million reduction in members' equity as the cumulative effect to adjust its net liability for unrecognized tax benefits as of January 1, 2008. Included in this amount is $3.7 million related to interest and penalties.

The Company accrues for interest and penalties related to unrecognized tax benefits as a component of deferred taxes and recognizes changes through income tax expense. As of December 31, 2009 and 2008, the Company had accrued $3.3 million and $3.1 million, respectively, in interest and penalties related to unrecognized benefits. In 2009 and 2008, the Company recognized expense of $214,000 and a benefit of $659,000, respectively, through tax expense.

Future Changes in Unrecognized Tax Benefits

The total amount of unrecognized tax benefits relating to the Company's tax positions is subject to change based on future events including, but not limited to, the settlements of ongoing audits and/or the expiration of applicable statutes of limitations. At this time, the Company does not anticipate a significant increase or decrease to the existing unrecognized tax benefit within the next twelve months. The Company is no longer subject to examination by federal tax authorities for years prior to 2006; state tax authorities for years prior to 2005; and foreign tax authorities for years prior to 2003, dependent upon location.

5. LONG-TERM DEBT

AP has a $125 million syndicated revolving credit agreement with a number of banks (the "Facility") that extends to July 2011. The Facility permits AP to request total commitment amounts up to but not exceeding $200 million. The terms of the Facility include certain covenants and limitations on indebtedness and require facility fees to be paid on the aggregate commitments regardless of usage. During 2009, there were no borrowings against the Facility. In 2008, the maximum amount outstanding against the Facility was $20.0 million. As of December 31, 2009 and 2008, there were no amounts outstanding against the Facility and AP was in compliance with all debt covenants related to the Facility.

Debt of $923,000 and $877,000 at December 31, 2009 and 2008, respectively, represents the present value of a liability, discounted at 6.5%, to a third-party that was assumed in a prior-year acquisition. The non-interest bearing note payable in the amount of $1.1 million is due in June 2013.

The components of debt at December 31, 2009 and 2008 are as follows:

December 31 (In Thousands)	2009	2008
Capital leases	$ 3,233	$ 4,337
Other debt	923	877
Total long-term debt	4,156	5,214
Less current portion	(1,103)	(1,109)
Long-term debt, net of current portion	$ 3,053	$ 4,105

AP amortizes capitalized costs related to financing activities using the straight-line method over the term of the agreement and includes such amortization within interest expense in the accompanying consolidated statements of income. In both 2009 and 2008, $138,000 of amortized fees and issuance costs were included in interest expense.

6. PENSION PLANS

Defined Benefit Plans

AP sponsors several noncontributory defined benefit pension plans that cover substantially all US employees hired before a certain date. AP also sponsors two defined benefit pension plans for employees in the UK as well as a Retirement Allowance Plan provided in Japan. Both UK defined benefit plans are closed to new employees.

In the US, plans covering administrative and management employees who were hired prior to January 15, 2005 generally provide pension benefits that are based on basic wages and bonuses, as defined, during the five years prior to retirement or termination. Administrative and management employees hired on or after January 15, 2005 are ineligible for the defined benefit pension plans.

US plans covering union employees generally provide pension benefits as a percentage of their basic wages for each year of credited service. Union employees hired on or after March 1, 2006 are ineligible for the defined benefit pension plans.

AP also sponsors two nonqualified defined benefit pension plans: one is an executive retirement plan which primarily provides targeted benefits to designated employees while the other is a retirement plan providing benefits to select non-US citizens working outside of the United States.

	US Qualified Defined Benefit Pension Plans		US Nonqualified Defined Benefit Pension Plans		Non US Defined Benefit Pension Plans	
December 31	**2009**	2008	**2009**	2008	**2009**	2008
(In Thousands)						
Change in projected benefit obligation ("PBO")						
PBO at beginning of year	**$ 403,559**	$ 395,404	**$ 43,763**	$ 41,563	**$ 83,084**	$ 113,154
Service cost	**10,167**	10,743	**622**	590	**3,727**	4,729
Interest cost	**24,025**	22,452	**2,649**	2,400	**5,042**	6,001
Plan participants' contributions	**—**	—	**—**	—	**911**	1,088
Plan amendments	**—**	—	**—**	1,323	**—**	—
Special termination benefits	**4,443**	—	**21**	—	**—**	—
Actuarial (gain) loss	**(4,551)**	(11,810)	**2,124**	65	**12,947**	(10,409)
Benefits paid	**(14,491)**	(13,230)	**(2,300)**	(2,178)	**(3,186)**	(2,804)
Foreign currency translation adjustments	**—**	–	**—**	—	**8,311**	(29,036)
Other	**—**	–	**—**	—	**—**	361
PBO at end of year	**$ 423,152**	$ 403,559	**$ 46,879**	$ 43,763	**$ 110,836**	$ 83,084
Change in plan assets						
Fair value of plan assets at beginning of year	**$ 282,137**	$ 337,109	**$ —**	$ —	**$ 65,813**	$ 104,306
Actual return on plan assets	**27,264**	(54,937)	**—**	—	**12,712**	(17,445)
Employer contribution	**4,485**	13,195	**2,300**	2,178	**7,054**	6,334
Plan participants' contributions	**—**	—	**—**	—	**911**	1,088
Benefits paid	**(14,491)**	(13,230)	**(2,300)**	(2,178)	**(3,186)**	(2,804)
Foreign currency translation adjustments	**—**	—	**—**	—	**7,064**	(25,666)
Fair value of plan assets at end of year	**$ 299,395**	$ 282,137	**$ —**	$ —	**$ 90,368**	$ 65,813
Funded Status						
Fair value of plan assets	**$ 299,395**	$ 282,137	**$ —**	$ —	**$ 90,368**	$ 65,813
Less: PBO	**423,152**	403,559	**46,879**	43,763	**110,836**	83,084
Funded status	**$ (123,757)**	$ (121,422)	**$ (46,879)**	$ (43,763)	**$ (20,468)**	$ (17,271)

6. PENSION PLANS

(CONTINUED)

Accrued pension cost recognized in the consolidated balance sheets is as follows:

	US Qualified Defined Benefit Pension Plans		US Nonqualified Defined Benefit Pension Plans		Non US Defined Benefit Pension Plans	
December 31	**2009**	2008	**2009**	2008	**2009**	2008
(In Thousands)						
Included in postretirement and other employee benefits:						
Accrued pension cost	**$(123,757)**	$ (121,422)	**$(46,879)**	$ (43,763)	**$ (20,468)**	$ (17,271)
Included in accumulated other comprehensive loss on a pretax basis:						
Unrecognized net actuarial loss	**84,528**	103,059	**14,248**	13,412	**34,948**	28,692
Unrecognized prior service cost	**2,350**	3,304	**2,674**	3,759	**—**	—
Total included in other comprehensive loss	**86,878**	106,363	**16,922**	17,171	**34,948**	28,692
Net amount recognized in the balance sheet	**$ (36,879)**	$ (15,059)	**$ (29,957)**	$ (26,592)	**$ 14,480**	$ 11,421

The accumulated benefit obligation ("ABO") for the pension plans is as follows:

	US Qualified Defined Benefit Pension Plans		US Nonqualified Defined Benefit Pension Plans		Non US Defined Benefit Pension Plans	
December 31	**2009**	2008	**2009**	2008	**2009**	2008
(In Thousands)						
ABO	**$ 396,857**	$ 369,499	**41,510**	$ 38,994	**$106,959**	$ 79,205

Information for defined benefit retirement plans with an ABO in excess of plan assets is as follows:

	US Qualified Defined Benefit Pension Plans		US Nonqualified Defined Benefit Pension Plans		Non US Defined Benefit Pension Plans	
December 31	**2009**	2008	**2009**	2008	**2009**	2008
(In Thousands)						
PBO	**$ 423,152**	$ 403,559	**$ 46,879**	$ 43,763	**$ 110,836**	$ 83,084
ABO	**396,857**	369,499	**41,510**	38,994	**106,959**	79,205
Fair value of plan assets	**299,395**	282,137	**NA**	NA	**90,368**	65,813

The components of net pension cost are as follows:

	US Qualified Defined Benefit Pension Plans		US Nonqualified Defined Benefit Pension Plans		Non US Defined Benefit Pension Plans	
Year ended December 31	**2009**	2008	**2009**	2008	**2009**	2008
(In Thousands)						
Service cost	**$ 10,167**	$ 10,743	**$ 622**	$ 590	**$ 3,727**	$ 4,729
Interest cost	**24,025**	22,452	**2,649**	2,400	**5,042**	6,001
Expected return on plan assets	**(19,330)**	(23,348)	**—**	–	**(4,914)**	(6,842)
Amortization of transition (asset) obligation	**—**	(206)	**—**	45	**—**	—
Amortization of prior service cost	**941**	958	**1,085**	1,054	**—**	—
Recognized net actuarial loss	**6,048**	243	**1,288**	1,356	**1,618**	1,016
Curtailment loss	**13**	—	**—**	—	**—**	—
Special termination benefits	**4,443**	—	**21**	—	**—**	—
Settlement loss	**—**	—	**—**	—	**170**	—
Net pension cost	**$ 26,307**	$ 10,842	**$ 5,665**	$ 5,445	**$ 5,643**	$ 4,904

6. PENSION PLANS
(CONTINUED)

Weighted-average assumptions used to determine net periodic pension cost are as follows:

	US Qualified Defined Benefit Pension Plans		US Nonqualified Defined Benefit Pension Plans		Non US Defined Benefit Pension Plans	
December 31	**2009**	2008	**2009**	2008	**2009**	2008
Discount rate	**6.00%**	5.75%	**6.00%**	5.75%	**1.25-6.00%**	1.50-5.75%
Expected long-term rate of return on plan assets	**7.00%**	7.00%	**NA**	NA	**6.50-7.00%**	6.50-7.00%
Rate of compensation increase	**3.00%**	3.00%	**3.00-4.50%**	3.00-4.50%	**2.00-4.00%**	2.00-4.00%

Weighted-average assumptions used to determine benefit obligations are as follows:

	US Qualified Defined Benefit Pension Plans		US Nonqualified Defined Benefit Pension Plans		Non US Defined Benefit Pension Plans	
December 31	**2009**	2008	**2009**	2008	**2009**	2008
Discount rate	**6.00%**	6.00%	**6.00%**	6.00%	**1.25-5.70%**	1.25-6.00%
Rate of compensation increase	**2.50%**	3.00%	**2.50-4.50%**	3.00-4.50%	**2.00-4.25%**	2.00-4.00%

To develop the expected long-term rate of return on assets assumption, where applicable, AP considered the historical returns and the future expectations for returns for each asset class, as well as the target asset allocation of the pension portfolio.

The discount rate and expected long-term rate of return used for the UK pension plans are based on local economic indicators. For the Non US Defined Benefit Pension Plans, weighted average assumptions on discount rates include assumptions for the Japan Retirement Allowance Plan of 1.25% in both 2009 and 2008.

In 2010, the expected amortization of the net periodic benefit cost for the defined benefit pension plans is as follows:

	Net Actuarial Loss	Prior Service Cost
(In Thousands)		
US Qualified Plans	$ 3,858	$ 853
US Nonqualified Plans	1,125	586
Non US Plans	1,769	—
Total amortization	$ 6,752	$ 1,439

The primary investment objectives for the funded pension plans' assets are to achieve maximum rates of return commensurate with safety of principal, credit quality, diversification and adequate liquidity. The investment policies include the following asset allocation guidelines:

	US Qualified Defined Benefit Pension Plans		Non US Defined Benefit Pension Plans	
December 31	**2009**	2008	**2009**	2008
Equity securities	**50.0%**	50.0%	60.0%	60.0%
Debt securities	**40.0%**	40.0%	40.0%	40.0%
Real estate and other	**10.0%**	10.0%	—	—
Total	**100.0%**	100.0%	100.0%	100.0%

The asset allocation policy links the investment program with the financial goals and objectives of the pension plans and their underlying liability structures. The asset allocations are reviewed at least quarterly to determine whether allocations are within acceptable ranges. The asset allocation guidelines represent long-term perspective and goals; however, due to the onset of the global economic crisis in 2008, equity values fell dramatically, resulting in deviations from target allocations. During 2009, plan assets were rebalanced to more closely mirror the target allocation ranges.

6. PENSION PLANS
(CONTINUED)

The pension plans' weighted average asset allocations by asset category are as follows:

	US Qualified Defined Benefit Pension Plans		Non US Defined Benefit Pension Plans	
December 31	**2009**	2008	**2009**	2008
Equity securities	**44.5%**	30.3%	**38.2-56.3%**	46.0-52.3%
Debt securities	**42.3%**	54.8%	**43.7-57.6%**	38.6-40.5%
Real estate and other	**13.2%**	14.9%	**0.00-4.2%**	7.2-15.4%

The fair value of the pension plans' assets as defined within the fair value hierarchy is as follows:

	Level 1	Level 2	Level 3	US Plans Total	Non US Plan Level 1
December 31, 2009					
(In Thousands)					
Equity securities	$ 8,672	$ —	$ —	$ 8,672	$ —
Pooled equity funds	76,391	48,238	—	124,629	36,056
Real estate	—	—	19,662	19,662	612
Fixed income	121,954	—	4,557	126,511	46,637
Cash and short-term investments	—	9,165	—	9,165	1,554
Other	—	5,092	5,664	10,756	5,509
Total	**$207,017**	**$ 62,495**	**$ 29,883**	**$299,395**	**$ 90,368**

The changes in the fair value of the US Plans' Level 3 assets are as follows:

	Real Estate Funds	Fixed Income	Other	Total
(In Thousands)				
Balance at January 1, 2009	$ 28,342	$ 2,808	$ —	$ 31,150
Realized gains (losses)	317	(7)	—	310
Unrealized (losses) gains relating to instruments held at the reporting date	(10,602)	2,535	664	(7,403)
Purchases, sales, issuances and settlements (net)	1,605	(779)	5,000	5,826
Balance at December 31, 2009	**$ 19,662**	**$ 4,557**	**$ 5,664**	**$ 29,883**

Administrative expenses, including investment fees, are reflected in the actual return on the plans' assets. Administrative expenses paid by the US Qualified Defined Benefit Plans were approximately $2.1 million in 2009 and $2.2 million in 2008, while administrative expenses paid by the Non US Defined Benefit Pension Plans were approximately $545,000 in 2009 and $794,000 in 2008. The US Nonqualified Defined Benefit Plans are unfunded plans and therefore incur no administrative expenses.

In accordance with regulations governing contributions to the US Defined Benefit Pension Plans, AP's policy is to fund at least the minimum amount required by the Employee Retirement Income Security Act of 1974 and to meet the funding requirements defined in the Internal Revenue Code. In 2010, AP expects to contribute up to $14.0 million to its US Qualified Defined Benefit Plans, $3.8 million to its US Nonqualified Defined Benefit Plans and up to $9.0 million to its Non US Defined Benefit Plans.

The estimated future benefit payments are shown in the table below:

	US Qualified Defined Benefit Pension Plans	US Nonqualified Defined Benefit Pension Plans	Non US Defined Benefit Pension Plans
Year ended December 31			
(In Thousands)			
2010	$ 18,264	$ 3,817	$ 3,336
2011	19,194	4,259	1,931
2012	20,440	3,816	1,933
2013	21,417	5,669	2,893
2014	22,684	6,455	3,416
2015-2019	137,000	15,494	15,548

6. PENSION PLANS
(CONTINUED)

Defined Contribution Plans

AP has a defined contribution plan ("401(k) Plan") covering substantially all of its domestic employees. The Company matches a portion of the employees' contributions to the 401(k) Plan. Charges to operations for AP's contributions amounted to $6.0 million in 2009 and $5.8 million in 2008.

All US employees who are ineligible for the defined benefit plans are included in the Company's defined contribution plan ("3% DC Plan"). After an employee completes one year of service, AP contributes into the plan an amount equal to 3% of the employee's qualified earnings. Charges to operations for AP's contributions to the 3% DC Plan amounted to $1.6 million in 2009 and $1.1 million in 2008.

AP has a defined contribution plan in the UK to provide retirement benefits to new hires and those employees not enrolled in the defined benefit plan. After an employee completes six months of service, AP contributes into the plan an amount equal to 3% of the employee's qualified earnings. Charges to operations for AP's contributions amounted to $241,000 in 2009 and $143,000 in 2008.

7. POSTRETIREMENT BENEFITS OTHER THAN PENSIONS

In the US, AP has plans that provide postretirement health care and limited life insurance benefits for individuals hired before specified dates (January 1994, February 1995 and March 2006 for administrative, editorial, and technology employees covered under the collective bargaining agreement, respectively) and generally retiring from AP at or after the age of 55 with 10 or more years of service.

Health care benefits include hospitalization and major medical coverage with deductible and coinsurance provisions that integrate with Medicare on a coordination of benefit basis after age 65. Employees retiring after a specific date are required to make contributions, which are used to pay a portion of current premiums.

During 2009, amendments were made to the plans including the introduction of a deductible, an increase in co-payments, and a modification to the number of visits covered for certain conditions.

Periodic postretirement benefit cost includes the following components:

Year ended December 31 (In Thousands)	**2009**	2008
Service cost – benefits earned during the period	**$ 1,112**	$ 1,226
Interest cost on benefit obligation	**5,588**	5,432
Net amortization	**(1,588)**	(1,141)
Actuarial gain	**(573)**	(733)
Special termination benefits	**586**	—
Periodic postretirement benefit cost*	**$ 5,125**	$ 4,784

The following table sets forth the status of the plans and amounts recognized in the consolidated balance sheets:

December 31 (In Thousands)	**2009**	2008
Change in benefit obligation:		
Benefit obligation at beginning of year	**$ 100,757**	$ 100,971
Service cost	**1,112**	1,226
Interest cost	**5,588**	5,432
Amendment	**(3,359)**	—
Special termination benefits	**586**	—
Actuarial loss (gain)	**5,537**	(2,638)
Benefits paid	**(5,321)**	(4,234)
Benefit obligation at end of year	**104,900**	100,757
Unrecognized net actuarial gain	**795**	6,868
Unamortized prior service credit	**8,242**	6,508
Accrued benefit cost*	**113,937**	114,133
Total accumulated comprehensive loss	**(9,037)**	(13,376)
Net amount recognized in the balance sheet	**$ 104,900**	$ 100,757

*Includes the effect of the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 ("MMA")

The discount rate used in determining the net periodic postretirement benefit cost was 6.00% at December 31, 2009 and 5.75% at December 31, 2008. The discount rate used in determining the postretirement benefit obligation was 6.00% in both 2009 and 2008.

AP expects to pay benefits of $4.9 million in 2010.

The rates of increase in medical costs are assumed to be 8.49% in 2010, declining to 4.50% by 2027.

The health care cost trend rate assumption has a significant effect on the amounts reported. A one-percent increase (decrease) in the assumed trend rate would change the accumulated postretirement benefit obligation at December 31, 2009 by $15.3 million and $(12.7) million, respectively, and would change the 2009 total service and interest cost by $1.1 million and $(900,000), respectively.

The reduction in the accumulated postretirement benefit obligation related to the MMA is $22.8 million. The effect of the MMA Part D Subsidy ("Part D Subsidy") on the measurement of net periodic postretirement benefit cost for 2009 is a reduction of $2.0 million.

In 2010, the expected amortization of the net periodic postretirement benefit cost is $1.8 million.

As of December 31, 2009, the estimated future payments for the US postretirement medical plans, including the impact of the Part D Subsidy, are as follows:

Year ended December 31 (In Thousands)	**Prior to Part D Subsidy**	**Reduction due to Part D Subsidy**
2010	$ 4,610	$ 603
2011	4,939	663
2012	5,209	739
2013	5,537	809
2014	5,982	881
2015 through 2019	36,725	5,698

8. SALE OF FOREIGN SUBSIDIARY

Effective December 1, 2009, the Company sold its wholly-owned subsidiary, The Associated Press GmbH. The Company recognized a gain of $13.2 million on the sale, which is shown as a component of other income in the consolidated statements of income.

The Company has entered into an ongoing news license agreement with the purchaser.

9. CONTINGENCIES, COMMITMENTS AND OTHER MATTERS

Various legal actions, which have arisen in the ordinary course of business, remain pending against AP. Management, with advice of counsel, believes that these actions will not have a material adverse effect on AP's financial position or results of operations.

At December 31, 2009, AP had three letters of credit issued and outstanding totaling $2.3 million.

AP has commitments under non-cancelable operating leases covering office space, equipment and maintenance, automobiles, and certain satellite contracts. Where leases contain material escalation clauses or other concessions, the impact of such adjustments is recognized on a straight-line basis over the minimum lease period. Minimum rentals under operating leases are as follows:

Year ended December 31 (In Thousands)	
2010	$ 41,167
2011	40,923
2012	35,520
2013	30,597
2014	24,787
Thereafter	118,218
Total	$ 291,211

Rent expense related to facilities and office space was $30.0 million in 2009 and $32.0 million in 2008. Satellite costs under operating leases were $4.7 million and $4.3 million in 2009 and 2008, respectively.

Included in fixed assets on the consolidated balance sheets is approximately $11.5 million of equipment held under long-term capital leases. Accumulated amortization for these leases was $9.8 million and $9.2 million in 2009 and 2008, respectively. Future payments, including interest of $332,000, under such leases are as follows:

Year ended December 31 (In Thousands)	
2010	$ 1,380
2011	1,380
2012	805
Thereafter	—
Total	$ 3,565

AP Management Committee

FIRST ROW LEFT TO RIGHT:

Vice President & Director of
Strategic Planning
James M. Kennedy

Chief Revenue Officer &
Senior Vice President
Jane Seagrave

President & CEO
Thomas Curley

Senior Vice President
Technology
Lorraine Cichowski

Vice President & Director of
Corporate Communications
Ellen Hale

SECOND ROW LEFT TO RIGHT:

Senior Vice President &
Executive Editor
Kathleen Carroll

Senior Vice President &
Chief Financial Officer
Kenneth J. Dale

Vice President
Human Resources
Jessica Bruce

Senior Vice President
Business Development and
Partner Relations/Americas
Sue Cross

Vice President, General
Counsel & Secretary
Srinandan R. Kasi

Senior Vice President
Thomas R. Brettingen

AP Membership

As of March 25, 2010
Regular Members: 1,332
Associate Members: 3,688

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