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January 8, 2007

Dear Valued PGW Publisher,

As part of my commitment to keep you apprised of our progress throughout the restructuring, I wanted to update you on a few significant developments that occurred over the past week and address some serious inaccuracies that are circulating about PGW publishers' inventory and the Chapter 11 Process.

I want to start by letting you know that we will be cutting COD checks today for PGW publishers regarding post-petition payments. This will continue on a weekly basis as we proceed with the restructuring.

#### **First Day Motions**

On Wednesday January 3<sup>rd</sup>, we had our first hearing before the bankruptcy court. I am pleased to report that the court approved all of our "first day motions" except for a motion on reclamation procedures which will be considered by the court in the next few weeks. This gives us the legal authority to conduct normal business operations and satisfy our obligations to PGW publishers going forward. It included the interim approval of our \$75 million DIP financing facility which will provide us with adequate liquidity as we proceed through this process.

#### **Motion to Authorize Payment of Pre-Petition Claims to PGW Publishers**

I have spoken with a number of PGW publishers over the past week who have expressed their concerns about outstanding pre-petition payments. I understand the importance of this issue and am pleased to report that ***on Friday January 5<sup>th</sup>, we filed a motion with the court seeking approval to give PGW publishers Critical Vendor status and have asked the court to allow us to make payments totaling the amounts due from PGW to PGW publishers in January 2007.*** We believe that Critical Vendor designation is a significant step for PGW publishers and expect this motion to come before the court during a hearing on January 24<sup>th</sup>.

#### **PGW Publishers' Inventory and the Chapter 11 Process**

There has been much confusion and a number of inaccurate stories in the media concerning the ownership and status of PGW during AMS's restructuring. ***We assert in the court papers we have filed that PGW publishers are the owners of their inventory held by PGW in its warehouses in accordance with our contractual relationships.*** We have stated that "PGW holds the PGW Publishers' products in its warehouses and provides certain services to the PGW Publishers in respect of those products, including marketing them to certain third party retailers. Upon receipt of an order for certain titles, PGW purchases such books from the PGW Publishers on credit terms and sells them to the third party retailers."

***I want to reiterate that neither AMS nor PGW have ever pledged the PGW publishers' inventory held in PGW's warehouses against our credit line. Accordingly, the bank excludes the PGW publishers' inventory from its calculations against the borrowing base.***

Once again, I want to express my gratitude and appreciation for your continued loyalty and support. I will be sending updates with relevant information as we move forward. In the interim, please feel free to contact me or your PGW representative should you have any questions.

Sincerely,

Rich Freese  
President  
PGW