

Dear MediaNews Group Employee:

I have important and positive news about our company's future.

Today, our corporate holding company, Affiliated Media, Inc. announced that it has obtained the approval of its lenders on a financial restructuring that will sharply reduce debt, boost cash flow and give the company greater financial flexibility. The plan will be implemented in the near future through a "prepackaged" filing in United States Bankruptcy Court.

Unlike previous filings by media companies, this one does not involve our newspaper or broadcast operations. Only our holding company, Affiliated Media, Inc., will be restructured. We expect all of our daily operations to continue without disruption, with employees receiving normal salary and benefits, suppliers being paid, advertising being placed and newspapers being printed and delivered as usual. No layoffs, sale of newspapers, facility closings or consolidations are anticipated as a result of the financial reorganization announced today.

The prepackaged plan, structured in consultation with our senior lenders, is expected to reduce our debt of about \$930 million to \$165 million through a debt-for-equity swap by the senior lenders. The lower debt and interest payments will give us breathing space to create a new model for the newspapers we publish.

There will be no management change or change in control of the company. I will continue as Chairman and Chief Executive Officer of MediaNews Group and will continue to select a majority of members of the Board of Directors. Our management team will be authorized to own 20% of the company through stock and warrants. I and President Joseph J. Lodovic IV will control the company through our ownership of all of the company's class A shares. Other stockholders will own class B and C shares.

Since our newspapers are not involved in this restructuring, you'll see no changes in your operation. Our plan allows for trade and other business vendors to be paid in the ordinary course of business. The company is current on all vendor payments, and we expect to remain so. We have adequate cash to fund all of our operations in a normal fashion.

Even as the newspaper environment has badly deteriorated over the past three years, you can be proud that MediaNews has outperformed the industry as a whole. Our total newspaper circulation grew for the September Audit Bureau of Circulations 6-month reporting period, while industry circulation dropped 10.6%. And our innovative advertising sales initiatives have resulted in advertising declines lower than the industry as a whole. As you know, the December quarter has performed better than the first nine months of the year.

All but one of our newspapers are profitable.

We expect to quickly emerge from our reorganization with one of the strongest balance

sheets in our industry. This transaction gives us a far better platform from which to develop, grow and participate in the consolidation and re-invention of the newspaper industry.

As our co-founder and chairman-emeritus Dick Scudder told me as we sought ways to ensure the company's future, "This is not about you or me; it's about our newspapers, our employees and the communities they serve."

I couldn't agree more!

I think all of us believe, with good reason, that a financially viable and independent free press is imperative for our country's democracy. We who actually work in the newspaper business have a direct interest in keeping newspapers healthy. But we also can see that the communities we serve rely on newspapers, not only to keep everyone informed, and to check government and corporate abuse, but also to provide a cohesiveness that our society very much needs. Our nation was founded by men who recognized the indispensable role of a vibrant press in building a truly democratic society. That great insight, fought for and defended vigorously for over 200 years, is one of the reasons we emerged as the leader of the free world and became a model and inspiration for people fighting oppression all over the world. Yet many of our citizens now take it for granted, and forget how precious it really is.

As you all know, the business model that has supported newspapers in past decades is now in the middle of wrenching change. There is still no clear or certain vision for our future, nor is there a consensus on how to approach it. But our company is making real progress as we rebuild an out-dated media model and I am confident that we can continue to do so.

As your chairman, I am personally committed to working with you to define the future of the newspaper industry that you and I love so much. I thank you for devoting your lives to a cause that is so important to maintaining the standards and morals of our civilization. There are those who believe that our re-invention of the newspaper model will not succeed. I know it will, and I trust you do too.

I look forward to working with you as we take our newspapers into a changing but successful new media world.

Enclosed with this letter is the press release that we issued today with our announcement. We will keep you informed as we move ahead.

Sincerely,

William Dean Singleton

Chairman and Chief Executive Officer

## **Q & A for Employees of MediaNews Group**

### **What is the news?**

Affiliated Media, Inc., parent of MediaNews Group newspapers, has obtained the approval of its lenders on a plan to sharply reduce its debt, boost its cash flow and give it greater financial flexibility. The plan will be implemented in the near future through a “prepackaged” filing in United States Bankruptcy Court in Delaware under chapter 11 filing.

### **What is a prepackaged plan?**

All filings involve the preparation of a “plan of reorganization” which describes how the claims of each class of creditor and equity claim is to be treated, and must be approved by those creditors entitled to vote. A prepackaged plan is one where the “plan of reorganization” is prepared and approved by the creditors before the action is actually filed. Therefore, there is certainty about the outcome and the time within the process is greatly reduced, and could be as short as 60 days or less.

In this respect, the AMI filing is a simple balance sheet restructuring to reduce debt. None of the operating subsidiaries or partnerships are involved. Further, except for our financial creditors (our senior lenders and subordinated note holders who will trade debt for stock), all holding company creditors will be paid in full in the normal course of business so there will be no impact on operations.

### **What does this mean for our business?**

There will be no change in our daily operations. The whole point of the transaction is to let us address our balance sheet issues – simply put, too much debt for existing conditions in the industry and the broad economy – while avoiding any disruption to our daily operations. Will there be layoffs?

No. Our decisions about staffing have always been – and will continue to be – in response to business conditions, not our finances. So while there is no guarantee that advertising or circulation won’t deteriorate further and force us to adjust accordingly, there are no layoffs planned as a result of our financial restructuring. We’re committed to maintaining the staffing we need to serve our readers and advertisers.

### **Will pay or benefits be affected?**

No. Unlike with previous filings by media companies, this one does not involve our newspaper or broadcast operations. All benefits, including pay and pensions, will continue to be paid in the normal course of business. Pension plans will not be affected as the company intends to continue its sponsorships of all current plans. Only our holding company, Affiliated Media, Inc., will be restructured.

**Will there be a change in management or in who controls our company?**

No. There will be no management change and no change in control. William Dean Singleton will continue as Chairman and Chief Executive Officer of MediaNews Group and will continue to select a majority of members of the Board of Directors. Our management team will be authorized to own 20% of the company through stock and warrants. Mr. Singleton and President Joseph J. Lodovic IV will control the company through their ownership of all of the company's class A shares. Other stockholders will own class B and C shares.

**Will this affect any of the company's newspaper partnerships or joint operating agreements?**

No. Our partnerships and joint operating agreements are owned at the newspaper subsidiary level and all are debt free. Those subsidiaries are not affected by this restructuring.

**Does this affect The Denver Post?**

No. The Denver Post is party to its own bank credit agreement, which was successfully restructured on August 26, 2009. The Denver Post is not involved in this restructuring.

**Are there plans to sell or close any newspapers?**

No. The company plans to use the current platform as a base for growing the enterprise.

**You've said the announcement is good news. How does this help us?**

Our reorganization, structured in consultation with our lenders, is expected to reduce our debt from about \$930 million to \$165 million. In exchange for extinguishing the debt, our senior lenders will receive stock representing a major ownership stake in the reorganized company. The lower debt and interest payments will give us breathing space to create a new model for the newspapers we publish. We expect to have one of the strongest balance sheets in our industry. This transaction gives us a far better platform from which to develop, grow and participate in the consolidation and re-invention of the newspaper industry.

**Aside from this transaction, how is our business doing?**

During an extremely difficult environment for newspapers over the past three years, MediaNews has outperformed the industry as a whole. Total circulation grew for the September Audit Bureau of Circulations 6-month reporting period, while industry circulation dropped 10.6%. Our growth included gains by the Denver Post after its primary competitor ceased publication. Excluding the Denver gain, our circulation dropped 4.8%, still well below the industry's 10.6% decline. On the advertising side, the Company's innovative sales initiatives have resulted in advertising declines lower than

the industry as a whole. The December quarter, while still down substantially, has performed much better than the first nine months of the year. All but one of our newspapers are profitable.

**What should I say to readers or advertisers ask about our filing?**

Let them know that this is a positive development that will make us financially stronger. They should also understand that the financial restructuring is a non-event for readers and advertisers.

**What if I'm approached by the media regarding the filing?**

If you receive any inquiries from the media or other interested third parties, please refer them to Seth Faison at (212) 573-6100.