

To: All PN Employees

Today we took an important strategic step toward restructuring our debt obligations. To do so we have voluntarily filed for relief under Chapter 11 of the U.S. Bankruptcy Code.

The most important fact that you need to know about how the Chapter 11 filing affects you is that business will continue as usual. PNL will continue to operate under its current name and logo, and all operations as you know them will remain the same. We have asked the court to permit all salary and benefits, including pensions and 401(k) plans, to continue as usual. The filing has in no way changed your employment terms.

It is important that each of you is not distracted by our Chapter 11 filing. In fact the process exists to assist companies in resolving debt issues. For more than a century, since the U.S. Congress first established the Bankruptcy Code, it has been helping companies, including many of America's largest, to reorganize and thrive. The impetus for filing for reorganization is not due to problems with PNL's operations, but a need to repair our debt structure. The loss of revenue that has occurred as a result of the current recession is squeezing our operating profit which is now insufficient to service our debt load.

As a company, we have been hit with a perfect storm, including a dramatic decline in total revenue, the worst economic conditions since the Great Depression and a debt structure which is out of line with current economic reality. Despite these difficult circumstances, we have been working towards an operational structure that can flourish once we get the debt restructured.

Now more than ever, we need to continue the hard work that has already begun. I am grateful for, and proud of, your dedication and loyalty to our company and to our readers. In the last two and a half years, we have accomplished a tremendous amount. Our journalism is better than ever under the guidance of Bill Marimow and Michael Days. Our union relationships have moved from contentious to a relationship built on respect and trust. Our online web traffic at philly.com has swelled by 300%. Our new, nationally recognized programs, like MediaLab and ResearchLab, are connecting our marketing muscle - and the industry's most innovative approach - directly with advertisers' businesses. We've introduced new products like "I" Magazine and improved My Community Trend. We've been ranked as among the most efficient newspaper operators in the country. And, despite an overall decline in ad revenue, we have climbed from the bottom to the top of the pack in advertising revenue among the Top 25 markets.

It is important that you provide reassurance to the advertisers, readers and business contacts with whom you interact that PNL continues to do business as usual, remains a viable company and is only using Chapter 11 reorganization to restructure its debt. Your commitment is crucial to our ability to move forward seamlessly.

You should contact the Human Resources Department if you have any questions. We encourage you to give us the feedback that you are getting from your advertisers and readers and other business contacts so that we can assist you in providing this reassurance. To assist in such communications, as well as to answer any questions that you may have, we will distribute a "Frequently Asked Questions" memorandum for all employees shortly. In addition, we will provide regular updates on the timing and status of the Chapter 11 reorganization.

Thank you in advance for your continued hard work and dedication to our readers and advertisers.