



June 12, 2009

Dear Fellow STMG Employees:

I have made a commitment to you to provide periodic updates regarding the progress of the Company's bankruptcy proceedings, the Company's ongoing operating performance, and the process of attracting new investment capital to our enterprise through the sale of assets. In keeping with that commitment, I believe it is important for me to share some thoughts and comments about information you may have heard recently regarding a proposed "bonus plan" for certain employees at the Company.

As you may have read, yesterday we decided to delay any further consideration of the proposed incentive plan until we are further along in the sale process. Part of our reasoning was that we do not want to have all of the details of the plan made public in the midst of our negotiations to sell our assets. More on that later. But, I want you to understand clearly the Board's reasons for proposing this incentive plan in the first place.

Under the bankruptcy process, it is very common and fairly standard for companies to propose an incentive plan of the sort that we have designed. These plans are commonly discussed with the U.S. Trustee ("UST") and the unsecured creditors' committee ("Creditors' Committee") before being presented to the Bankruptcy Court for approval. This sort of incentive plan is designed to serve everyone's best interests by creating incentives to achieve the highest asset sale proceeds as quickly as possible.

As I discussed at our Town Hall meeting on March 31 and at each of the 15 smaller group meetings held across the Company in the intervening weeks, once we are in bankruptcy our principal responsibility is to look out for the best interests of the Company's creditors. This is our responsibility under Federal law. And clearly, the sooner the Company receives the greatest amount of money for ultimate distribution to pay off against the outstanding balances owed to our creditors, the better off they will be. Additionally, by selling the assets as ongoing businesses, we keep the businesses intact and help preserve the jobs associated with them.

The incentive plan proposed earlier this week by the Company was designed to accomplish this goal.

First, please rest assured this is not a typical bonus plan that pays management for certain operating performance achievements. While traditional bonus plans have existed at

STMG in the past, I believe strongly that while our Company is operating under bankruptcy such bonus structures are inappropriate, irresponsible and inconsiderate. All of these management bonus programs have been eliminated at STMG.

Second, any money paid out in the proposed incentive plan would not come from the funds used to operate our business but would come strictly and exclusively from the proceeds of the sale of assets to a new investor. Concern has been raised that the funds for the proposed sales incentive program would somehow have been generated through the 15% compensation reduction program implemented across the Company over the past two months. I want to make perfectly clear that this is not the case and it will never be the case. Any incentives paid would come only from the proceeds of a successful sale of the assets of STMG. This is money that would not otherwise be available for the operations of the Company's businesses.

Third, the proposed incentive plan is not established for the exclusive benefit of senior management at the Company. In fact, in my role as Chairman of the Board and Interim CEO, I am not included on the list of potential beneficiaries of the incentive plan. Yes—this is correct—I will not receive any incentive payment upon the successful sale of the assets of the Company to a new investor.

However, for a successful sale of assets to occur that will serve ultimately to secure a future for our print publications and web sites and to preserve as many jobs at STMG as possible, I need the assistance and support of a variety of individuals here at the Company. There has already been a significant need for operating, financial and legal support for the asset sale process and there certainly will be much more ahead as we continue to interact with prospective investors towards a successful sale.

If I could conduct the sale process by myself, I would gladly do so on your behalf and on behalf of the Company's creditors. But the reality is that I need to call on the support of a select group of employees to satisfactorily and successfully sell our assets. If we are to be successful in saving our businesses, the work and support that these individuals will need to provide goes above and beyond their already substantial, regular job responsibilities here at the Company (as well as the many added burdens created by the bankruptcy process).

Fourth, I believe it is important to convey that a number of the employees in the incentive program may not be offered jobs by the new owners of the Company's assets. It is an unfortunate but very real byproduct of the asset acquisition process that many of these corporate staff positions may be eliminated or replaced under new ownership. A key to returning our business to profitability in the future will be a continued and significant reduction in the corporate overhead originally designed to support a much larger organization.

Fifth, the incentive plan is not a "stay" bonus plan. So, there will be no automatic or guaranteed payments under the proposed incentive plan and certainly no incentive payments for simply staying at the Company through the sale process. Incentives will

only be paid if the Company achieves a minimum purchase price for its assets, and then only if I determine that the individual participants have made a positive contribution to getting the deal done. I will decide if and to what extent these individuals have earned the incentive. If the minimum purchase price isn't paid for our assets, then nothing will be paid out.

Sixth, as I noted at the outset, the Company has chosen not to disclose the specific target levels of prospective sale proceeds embedded in the incentive plan. Because the Bankruptcy Court was not willing to allow us to seek approval of the incentive plan without disclosing all of the details of the plan, we decided to table the matter until our sale process has progressed further. Our Board will reconsider the merits of the plan at that time. We made this decision because we believe it is vitally important to not disclose publicly our own internal assessment of the value of the Company's assets while we remain in direct discussions with prospective investors. We would never go into a negotiation having already told the buyer what we think the likely purchase price will be. This is highly sensitive information that could easily compromise our ability to generate the maximum proceeds from the sale of the assets for the benefit of the Company's creditors.

Seventh, as described earlier, the incentive plan must be approved by the Bankruptcy Court, which will have input from the UST and the Creditors' Committee. The Creditors' Committee is comprised of three of the Company's creditors including two Company vendors, Skybridge (Archway) and Classifieds Plus, and the Chicago Newspaper Guild. The Guild is represented on the Committee by Tom Thibeault, who serves as Administrative Officer of the Guild. I am confident that each of the Creditors' Committee members will continue to vigilantly protect the best interests of the Company's creditors and will only support plans and incentives that are reasonably designed to maximize the proceeds of the asset sales.

This is also the appropriate opportunity for me to share with you that the Company has made significant progress in continuing to drive both the revenue and expense sides of our business operations. The collective result of your combined efforts and sacrifices at every STMG publication and across every STMG department is a more efficient operating business enterprise compared to when we started this process in March.

Also, and perhaps more importantly, these efforts have served to meaningfully extend the amount of time and flexibility we have in dealing with prospective new investors and buyers of our assets.

One immediate result is that prospective investors have noticed and commented on the improved financial performance of the Company. This has definitely made the Company's assets more attractive to the bidding parties and also it has positively reflected on the abilities and capabilities of all STMG employees to respond quickly and efficiently when the demand and requirement exists.

The sales process has also continued apace and it has kept many of us extremely busy over the past few weeks. We continue to meet regularly with interested and qualified investors, we respond to their subsequent data requests and general inquiries about the business and my sense is that we have made substantial progress since my last letter and formal communication to you.

For the reasons we have discussed previously, I am not at liberty to share any specific details with you regarding the parties involved, pricing discussed or any of the terms and conditions surrounding a prospective sale.

Nevertheless, I am comfortable telling you that I remain confident and optimistic about the process underway. It certainly deserves my repeating how grateful and appreciative I am for all of your support and encouragement.

If anyone has any questions or comments regarding any of these subjects, I invite you to email me (jhalbreich@suntimes.com), call me (312-321-3090) or drop by my office at your next convenience.

Thank you and best regards.

Jeremy L. Halbreich
Chairman of the Board
Interim CEO