

PUBWEST

August 13, 2007

Dear Colleague and Huenefeld contributor:

Thank you for participating in the 2006 Huenefeld-PubWest Survey. The time and effort you put into filling out the survey information is appreciated by the entire Board of Directors of PubWest.

Unfortunately, we must apologize for not being able to publish or release the full Huenefeld—PubWest Survey for 2007. This breaks a string of annual reports of publishing operations since 1979. It turns out that 2006 was a year by which many publishers chose not to update their financial benchmarks.

On Dec. 29th, more than 130 independent publishers across the country were thrown into financial crisis by the bankruptcy of Advanced Marketing Services, the parent company of Publishers Group West, their trade distributor. Many of these independents were PubWest members and/or regular Huenefeld contributors. By their standards, the bankruptcy could not have happened at a worse time – just before PGW was due to remit sales revenues from the last quarter, the most profitable time of the year. Meanwhile their inventory remained tied up at warehouses, untouchable. Scrambling to find new distributors, many were forced to settle for 70% or less than what they were owed. The bankruptcy did not only play havoc with normal financial operations, it threatened their very survival. Titles were cancelled, personnel were laid off, and print bills went unpaid.

Other publishers who were not PGW clients still saw their finances heavily impacted by the loss of sales to AMS, access to Costco and Sam's Club, and uncertainty over their inventory and possible returns.

Given these unusual circumstances, many regular contributors to our annual survey were unable to provide meaningful information. The overall results of the survey, in turn, were skewed by the absence of these contributors. Given these factors, PubWest has decided not to release a full Huenefeld Report for this year, feeling that the data would be invalid, and generate false comparisons to prior years. However, we are releasing one portion of the annual report, the Salary Survey. The results here were not as heavily impacted by the disasters that befell our members this year, and are still valid.

The salary survey is being compiled by an outside source and you will receive a copy of it in the coming weeks.

Sincerely,



Douglas A. Pfeiffer
President, Board of Directors