WHITESTONE COMMUNICATIONS, INC.

WHO'S BUYING WHOM ©

SECOND QUARTER 2005 VERSUS 2004 UPDATE

July 2005

News on mergers and acquisitions in the publishing, information and training markets from Whitestone Communications, Inc., a leading M&A advisory firm. For a complimentary valuation of your business, or to learn more about how Whitestone can help your company meet its strategic goals, please contact Whitestone President Baran Rosen at 212-957-7100, ext. 209, or email "brosen@whitestonecommunications.com."

BUYING BOOM ROCKETS M&A MARKET

New York, N.Y., July 11, 2005—The powerful forces of a solid economy, low interest rates and plentiful capital for acquisitions rocketed M&A deal dollar volume skyward in the second quarter of 2005 for publishing, information and training companies, creating the greatest dollar volume in any quarter since 2000**,** reports merger and acquisition advisory firm Whitestone Communications. Whitestone tracks acquisitions for its annual reference, *Who's Buying Whom*, the most complete report on deals in the publishing, information and training fields.

The "perfect storm" of market forces led to a dramatic $10.8 billion in transactions, which is nearly three and half times the $3.2 billion in the same period last year. The total was the highest since the fourth quarter 2000 result of $10.5 billion. However, the number of deals in the second quarter of 2005 was 97, down compared to 118 in the same period last year and the 122 of the fourth quarter 2000.

"It was a spectacular quarter of M&A activity," noted Whitestone Communications President Baran Rosen. "Major deals were done in all sectors—magazines, training, education, business, the Internet. Four deals broke the $1 billion mark. Deal-makers were all smiles as companies and private equity firms waiting for the right time to sell found it."

The billion-dollar plus transactions:

- NASDAQ Stock Market buying institutional brokerage and trading network Instinet for $1.9 billion

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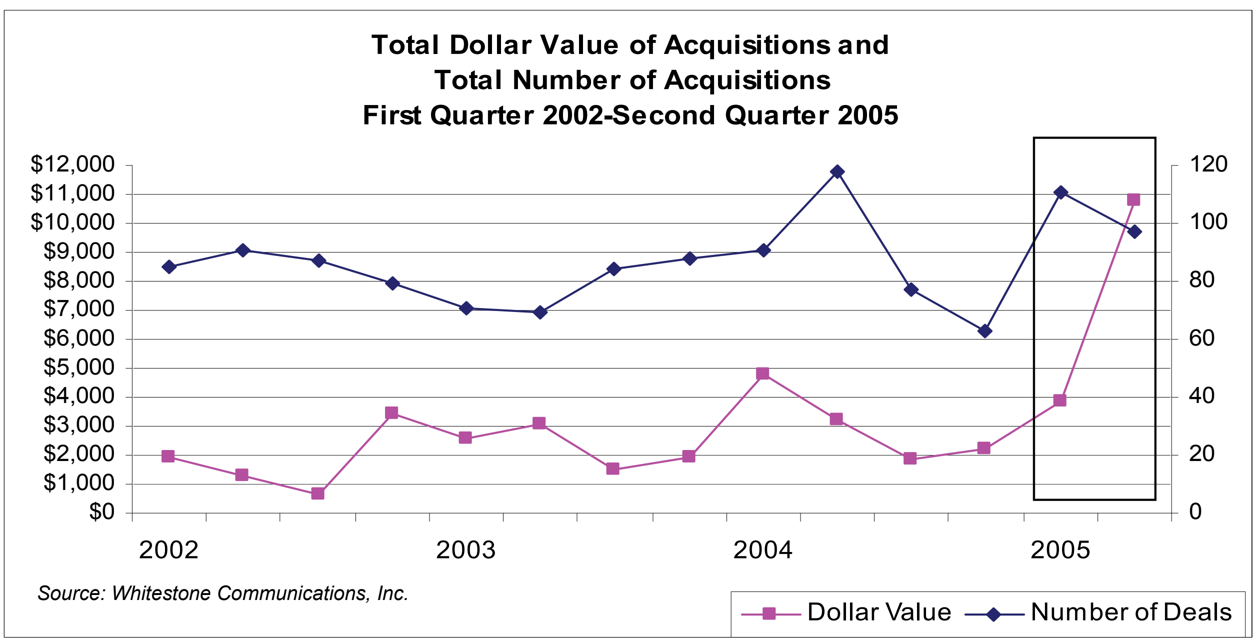

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- Bain Capital Partners buying materials school vendor School Specialty for $1.5 billion
- T&F Informa purchasing conference and training company IIR Holdings (both U.K. companies with large U.S. revenue) at $1.4 billion
- Hellman & Friedman acquiring DoubleClick for $1.1 billion.

Valuation multiples also were strong. Normal publishing/information/training industry multiples for acquisitions of companies with revenues of more than $100 million and 5-10% growth had been running in the approximately 9-11 times range prior to the economic recovery. The multiples on the above:

- NASDAQ - 17.9 times operating income
- Bain - 13.6 times operating income
- T&F Informa - 15.9 times EBITDA
- Hellman & Friedman - 16.4 times EBITDA.

In the market research field, German firm GfK Aktiengesellschaft paid United Business Media $729 million, or 19 times EBITDA, for NOP World. In online shopping, E.W. Scripps paid 16 times profit—$525 million—for Shopzilla. In magazines, JP Morgan Partners was comfortable acquiring Hanley Wood from Veronis Suhler Stevenson for $650 million, or 14 times EBITDA.

"The only cloud in the sky in the second quarter numbers was that the number of deals was down nearly 20% versus the same year-earlier period," noted Rosen. "Consolidation in various sectors over the last 10 years is probably the most likely explanation."

MAGAZINES

MAGAZINE PROPERTIES: IN DEMAND AGAIN

New York, N.Y., July 11, 2005—After suffering a heavy advertising recession and several years of unfavorable comparisons to the Internet, magazines reclaimed ad pages and investor confidence in the second quarter 2005, leading to major buys of magazine companies, reports merger and acquisition advisory firm Whitestone Communications.

"The strong economy finally helped to lift advertising sales and magazines began to look like good long-term business models again to skeptics who had fretted about the impact of the Internet on the field," noted Whitestone Managing Director Sharon Sevrens. "Also a number of sellers who had been waiting for good prices to sell finally found the market conditions perfect and went to the auction block."

Among these were the Veronis Suhler Stevenson and Providence Equity Partners private equity funds in their sales of several major magazine groups. In addition, Primedia announced April 25 it was putting its business magazine group of more than 70 publications on the market.

Deal dollar volume swelled to $2.2 billion on 23 transactions in the second quarter 2005 compared to just $82 million on 15 deals in the same year-earlier period.

Veronis Suhler Stevenson was perhaps the greatest beneficiary of the hot deal market for magazines. It sold two portfolio companies, including one transaction it said was the second-largest trade magazine sale in history (behind the purchase of Advanstar in 2000). In this deal, JP Morgan Partners paid $650 million and a strong 14 times EBITDA for the building and construction magazine/ trade show company Hanley Wood. In its other deal, Veronis sold medical device magazine and trade show operator Canon Communications for $200 million, or 12 times EBITDA, to Apprise Media, headed by former top Primedia executive Charles McCurdy.

Providence Equity Partners sold its F&W Publications business of enthusiast magazines and books to Abry Partners LLC for $500 million.

Gruner + Jahr (75% owned by Bertelsmann AG) accounted for the other major consumer deals of the quarter, giving up a long effort to be a player in the U.S. market. Gruner + Jahr sold venerable titles Family Circle and Parents as well as Child and Fitness to Meredith for $350 million and then sold troubled Inc. and Fast Company for $35 million to Joe Mansueto, owner of the mutual fund ratings business Morningstar.

EDUCATION/ REFERENCE

BAIN'S BILLION-DOLLAR PLAY BOLSTERS

New York, N.Y., July 11, 2005—M&A activity in the education/reference market got a boost in the second quarter 2005 from Bain Capital Partners' announced plans to buy New York Stock Exchange-listed School Specialty for $1.5 billion, reports Whitestone Communications.

The Bain deal comprised 93% of the quarter's $1.9 billion in education / reference acquisition volume, which far surpassed the $321 million of last year's same period. The number of deals in the quarter, though, declined to nine from 12 last year. Bain, which is already a 40% owner of Houghton

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Mifflin, is paying 13.6 times EBITDA for School Specialty which had 2004 revenue of $1 billion and EBITDA of $110 million. While Houghton Mifflin is entirely a content supplier to schools, School Specialty provides content as well as furniture and equipment.

"Bain surprised everybody with this deal," noted Whitestone Managing Director Gene Gartlan. "But as the quarter went on, there were more examples in other industries of private funds bidding on public companies."

In other deals, WRC Media, which has had weak results from some of its businesses, sold a key asset, American Guidance Service (AGS), for what Whitestone considers an excellent price to Pearson Education. AGS, a provider of testing and assessment products, core curriculum and supplemental instruction materials, fetched $270 million. The business had 2004 revenue of $70.8 million and operating income of $20.5 million, translating to a multiple of 13.2 times operating income. WRC Media has been rocked by an informal SEC inquiry that began late 2003 into a revenue recognition issue which led CEO Martin E. Kenney to request a leave of absence in February 2005 and to his resignation from the WRC board.

In the other large deal of the quarter, Reed Elsevier acquired MediMedia MAP for $340.4 million from Santemedia Group Holding. The business includes medical books, journals and reference information.

NEWSLETTERS/ DIRECTORIES

NEWSLETTER DEAL ACTIVITY QUIET

New York, N.Y., July 11, 2005—While other parts of the publishing field had boom times in acquisitions, newsletter deal activity was quiet in the second quarter 2005 versus the same year-earlier period, reports merger and acquisition advisory firm Whitestone Communications.

The number of deals—six—equaled the number of 2004 deals, but dollar volume was only $12 million versus last year's $60 million.

"The only deal of any size in the second quarter this year was Eli Research's acquisition of the Element K newsletters and journal business," noted Whitestone Communications Associate Neil Ghosh. "Eli has done a good job of steadily building its business through new product and acquisitions. While a number of companies, such as Eli Research, UCG, Douglas Publications, and HCPro, continue to be eager to do newsletter acquisitions, we expect modest M&A activity in the newsletter field for the rest of 2005 as there are just not that many properties expected to come to market."

In other notable deals, HCPro continued its steady pace of acquisitions by acquiring Santa Barbara-based COR Research. COR Research had been seeking a sale intermittently over approximately the last five years.

TRAINING

LARGEST INDEPENDENT TRAINING COMPANY OWNER EXITS IN BILLION DOLLAR PAYDAY

New York, N.Y., July 11, 2005—Training market deal activity numbers in the second quarter 2005 were driven by one big deal—the exit by Irwin Laidlaw in the sale of his IIR Holdings, the largest independent training company in the U.S., for $1.4 billion, reports merger and acquisition advisory firm Whitestone Communications.

The $1.4 billion IIR deal represented 93% of the $1.5 billion in deal dollar volume for the second quarter, whose total dollar volume far exceeded the $104 million of the same year-earlier period. The number of transactions was approximately the same.

Laidlaw sold his conference and training company to T&F Informa, both U.K. based. IIR had 2004 revenue of $572.6 million and EBITDA of $87.8 million, putting an EBITDA multiple on the deal of 16—high by most industry standards. Laidlaw had a proven track record of acquiring businesses and successfully managing their growth. Among his largest acquisitions was AchieveGlobal from Times-Mirror.

In other deal activity, Kaplan, part of Washington Post Co., continued its steady acquisition pace picking up four companies.

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