



Hights Cross Communications

Credit Suisse First Boston
Leveraged Finance Research
Media and Telecom Conference
Nov 21, 2003



Senior Management Representatives

Peter J. Quandt—Chairman and Chief Executive Officer

Paul J. Crecca—EVP and Chief Financial Officer



Company Overview

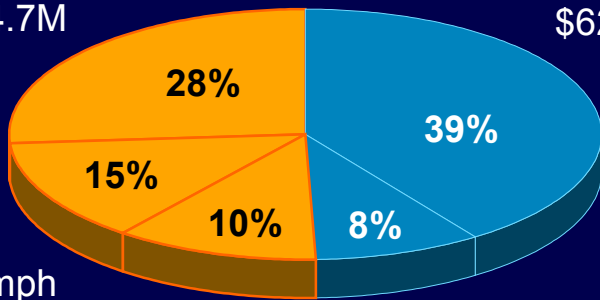
LTM Sept 2003 Revenue—\$162.7M

Education

Library

Sundance/
Newbridge
\$44.7M

Recorded
Books
\$62.8M



Triumph
\$24.5M

Oakstone
\$17.0M

Chelsea
\$13.7M

- Leading publisher of products for the Education and Library markets
- Formed in 1997; acquired businesses between 1997–2001
 - ▶ All businesses have operating histories in excess of 20 years
- Offers more than 10,800 proprietary titles (82% of 2002 revenue)
 - ▶ Over 9,000 backlist titles
- 150,000 customers

LTM Sept 2003 adjusted EBITDA of \$47.2 million representing margin of 29%



Business Segment Overview

Education:

Description



- Supplemental reading materials for grades K-9



- State specific test preparation materials for grades K-12



- Audio reviews of medical literature for physicians

Library:



- Unabridged audio books



- Non-fiction library books in series for children and young adults



Investment Highlights

- Leading Positions in High Growth Publishing Markets
- Diversified Business and Customer Mix
- Extensive Proprietary Content
- Superior Product Development Capabilities
- Strong Recurring Revenue Streams
- Strong Organic Growth
- Favorable Long-Term Industry Fundamentals
- Experienced Management Team



Leading Positions in High Growth Publishing Markets

Business Segment	Market Position	Year Founded
Sundance/Newbridge	Leading	1970
Triumph Learning	#1	1963
Oakstone Publishing	#1	1975
Recorded Books	#1	1979
Chelsea House	Leading	1966

The Company's leading market positions, coupled with its strong brand recognition and reputation for quality, creates significant barriers to entry



Diversification on Many Levels

Markets Served

- Balanced between the Education and Library markets
- Five distinct business segments

Products Offered

- Reading books, workbooks, study guides, audiobooks and newsletters
- Over 22,000 proprietary and non-proprietary titles

Customers Reached

- Over 150,000 customers: teachers, public and school libraries, school systems and state municipalities
- Largest customer less than 3% of revenue



Extensive Proprietary Content

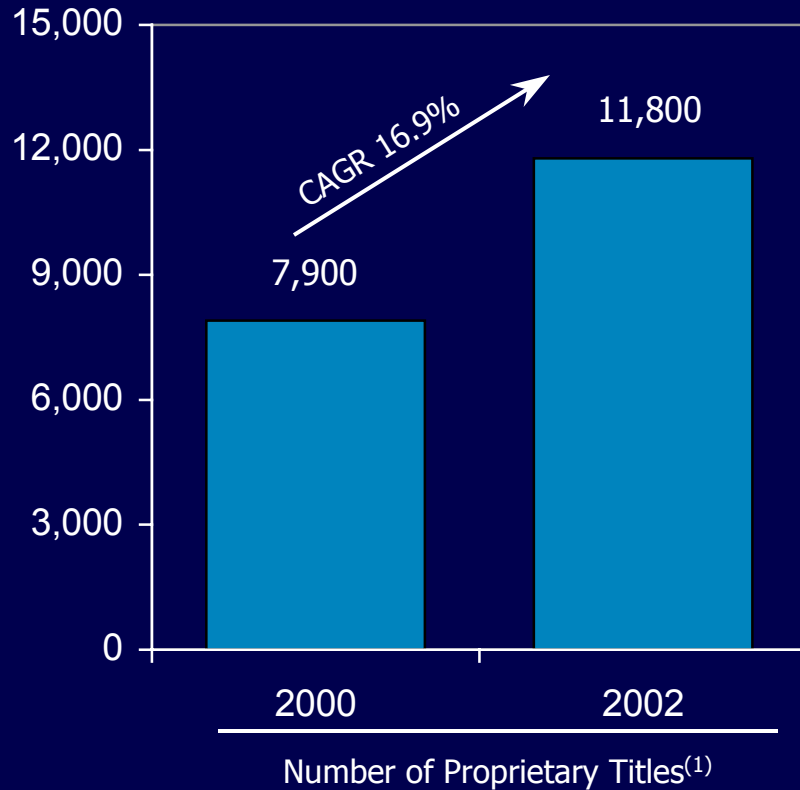
Proprietary content establishes recognized brands, facilitates introduction of new products and creates barriers to entry

	2002 Revenue Contribution from Proprietary Titles
Sundance/Newbridge	72%
Triumph	100
Oakstone	100
Recorded Books	75
Chelsea House	90
Total	82%



Superior Product Development Capabilities

The Company invests significant resources in new product development



- Invests more than 7% of revenue annually
- Successful track record of converting new titles to backlist
- High return on investment with essentially no write-offs of capitalized amounts

(1) Excludes Oakstone.



Strong Recurring Revenue Streams

Strong backlist and high subscription renewal rates generate substantial recurring revenue

Business Segment	# of Backlist Titles	% of 2002 Revenue	
		Backlist ⁽¹⁾	Subscription
Sundance/Newbridge	1,957	92%	—
Triumph	1,179	81	—
Oakstone	NA	—	100%
Recorded Books	4,002	95	35
Chelsea House	2,108	85	—
Total	9,246	91%	

(1) Proprietary title, non-subscription revenue only.

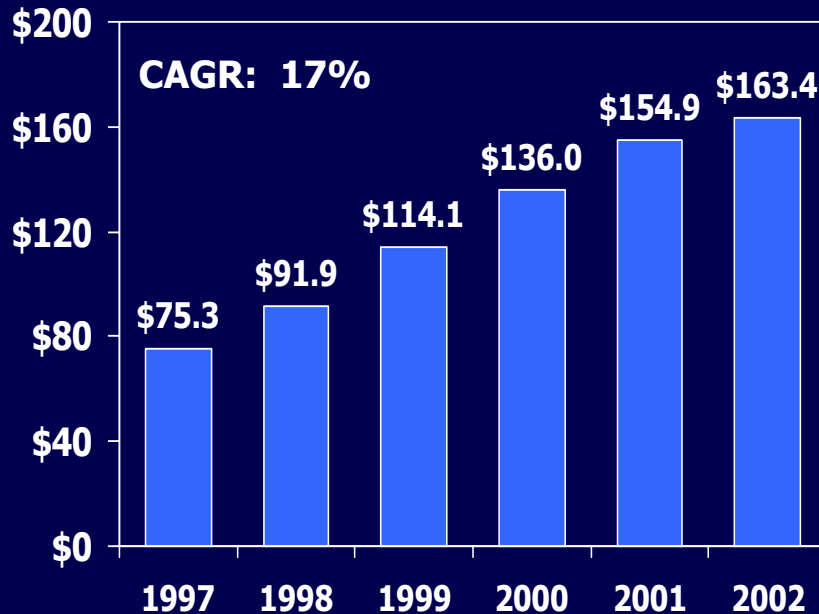


(\$ in millions)

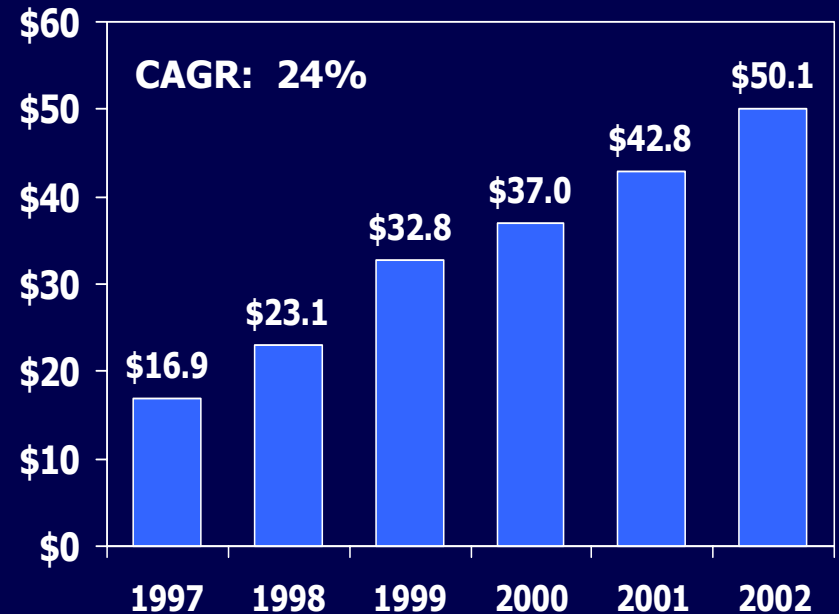
Consistent Operating Improvement

Strong organic revenue growth and EBITDA margin improvement

Revenues⁽¹⁾



Adjusted EBITDA⁽¹⁾



% Margin:	22.4%	25.1%	28.7%	27.2%	27.6%	30.7%
-----------	-------	-------	-------	-------	-------	-------

(1) Organic growth calculated as if all current businesses had been acquired on January 1, 1997. EBITDA excludes non-recurring costs.



Favorable Long-Term Industry Fundamentals

The educational publishing market is expected to benefit from a positive long-term funding environment

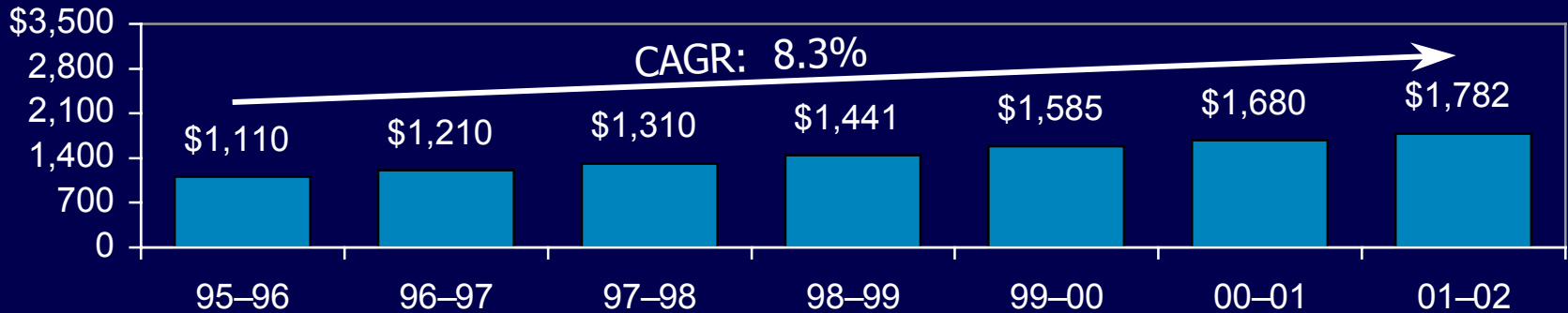
- No Child Left Behind Act
 - ▶ Focuses on state-level accountability testing
 - ▶ Authorizes \$24 billion for educational funding
 - ▶ Mandatory testing in reading and math every year for grades 3–8
 - ▶ Adding science and history to existing standards requirements



(\$ in millions)

Supplemental Education Market

Supplemental Education Materials⁽¹⁾



- 8.3% CAGR versus 7.1% CAGR for the total K-12 publishing market
- Most attractive segment within education publishing
 - ▶ Less expensive to produce than basal materials
 - ▶ Shorter development cycles enables quick response to market needs
 - ▶ Decade-long movement toward site-based management

(1) Source: Education Market Research, 2003 complete K-12 report.



Short-term Market Outlook

- FY2003 toughest year for state receipts since WWII
 - ▶ 93% of school and library budgets derived from state and local revenues
 - ▶ More than 50% of states have REDUCED educational funding
- No Child Left Behind Act funds have been slow to schools
 - ▶ School officials have been very cautious in their spending
- American Association of Publishers EHi reports modest 3.6% growth YTD Sept 2003
 - ▶ Veronis Suhler projects 1.0% industry growth CY 2003 and 1.5% in CY 2004
 - ▶ Growth improving in CY 2005, 3.5% CAGR 2002 to 2007



Business Strategy

- Extend market leadership positions
 - ▶ Deepen market penetration
- Leverage proprietary content and product development capability
 - ▶ Introduce new “must have” products
 - ▶ Develop product extensions
- Improve and leverage marketing expertise
 - ▶ Implement cross-business sales and marketing opportunities
- Maximize operating efficiencies
 - ▶ Leverage purchasing power
 - ▶ Consolidate non-creative functions
 - ▶ Share best practices

Financial Review



Recent Achievements

- Achieved 2002 revenue growth of nearly 10%⁽¹⁾, despite Education market decline of 5%⁽²⁾
 - ▶ 22% Adjusted EBITDA⁽³⁾ growth in 2002 through cost reduction initiatives
- Consolidated book business warehouse, customer service and IT functions
- Divested non-core legal publishing assets
- Completed \$270 million Debt Recapitalization
 - ▶ \$30mm Revolver, \$100mm Term Loan, \$140mm 11 3/4 Senior Notes

(1) GAAP based growth. Organic growth of 5.5%.

(2) Source: Association of American Publishers.

(3) GAAP based growth, excludes non-recurring costs. Organic growth of 17%.



(\$ in millions)

Historical Revenue and EBITDA

Revenue



Adjusted EBITDA⁽¹⁾



(1) Excludes non-recurring costs.



(\$ in millions)

9 Month Sept 2003 Revenue and EBITDA

	REVENUE				Adjusted EBITDA ⁽¹⁾			
	Nine Months Ended		Fav / (Unfav)		Nine Months Ended		Fav / (Unfav)	
	Sept 2003	Sept 2002	Amt	%	Sept 2003	Sept 2002	Amt	%
Education Pub Group	\$ 68.3	\$ 65.1	\$ 3.2	5%	\$ 22.7	\$ 23.4	\$ (0.7)	(3%)
Library Pub Group	56.3	60.3	(4.0)	(7%)	17.5	20.8	(3.3)	(16%)
Corporate					(3.2)	(4.1)	0.9	22%
Total	\$ 124.6	\$ 125.4	\$ (0.8)	(1%)	\$ 37.0	\$ 40.1	\$ (3.1)	(8%)

- ▶ Triumph Learning Revenue up 16%, Sundance/Newbridge up 6%, Oakstone Publishing off 10%
- ▶ Recorded Books Revenue down 5%, Chelsea House off 12%
- ▶ EBITDA reflects 2002 accounting benefits, 2003 consolidated warehouse start-up costs, and overhead absorbed from exited businesses.

(1) Excludes non-recurring costs.



(\$ in millions)

Cash Flow & Capitalization

CASH FLOW ⁽¹⁾	LTM Sept 2003	CAPITALIZATION	30-Sep-03	% of Total	Multiple of Adjusted EBITDA
Adjusted EBITDA	\$ 47.2	Cash	\$ 28.5		
Product Development	(14.1)	Revolver (\$30mm)	0.0		
Capital Exp	(2.8)	Secured Term Loan	100.0	26%	2.1
Restructuring & other	(3.5)	Senior Notes	140.0	37%	5.1
Working Capital	2.4	Total Debt	240.0	63%	
Operating Cash Flow	29.2	Series B Preferred	109.1	28%	7.4
PF Interest	(23.2)	Series A Preferred ⁽²⁾	33.8	9%	8.1
PF Principal	(1.0)	Total Equity	142.9	37%	
Net Cash Flow	\$ 5.0	Total Capital	\$ 382.9	100%	

Adjusted EBITDA / PF Interest	2.0
(Adj EBITDA - Prod Dev/Cap Exp) / PF Int	1.3

(1) Excludes Financing Transactions and Divestitures

(2) Includes value of unexercised warrants



Conclusion

- Leading Positions in High Growth Publishing Markets
- Diversified Business and Customer Mix
- Extensive Proprietary Content
- Superior Product Development Capabilities
- Strong Recurring Revenue Streams
- Strong Organic Growth
- Favorable Long-Term Industry Fundamentals
- Experienced Management Team



Safe Harbor Statement

Today's presentation and discussion will contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Words such as "expects," "anticipates," "intends," "estimates," or similar expressions are intended to identify these forward-looking statements. These statements are based on Hights Cross' current plans and expectations and involve risks and uncertainties that could cause future activities and results of operations to be materially different from those set forth in the forward-looking statements.



Hights Cross Communications

Credit Suisse First Boston
Leveraged Finance Research
Media and Telecom Conference
Nov 21, 2003