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Dear Colleagues:

It has been an extraordinary year for the Perseus Books Group marked by the acquisition of Consortium, our success in winning court approval for our PGW plan and the acquisition of Avalon. Each of these steps has been in support of our overall mission: to enable independent publishers to reach their potential whether those publishers are owned by Perseus Books, joint venture partnerships or clients for whom we provide services. A few weeks ago we announced the steps we are taking to bring PGW together with the Perseus Books Group. Today I am writing to you to describe the changes that we are making to bring the Avalon Publishing Group and the Perseus Books Group together.

We remain committed to the model of autonomous publishing programs located in various offices around the country, empowered with complete creative independence and supported by a powerful set of central services. This is a model pioneered by both Perseus and Avalon, and we continue to embrace it. In thinking about how best to bring our two companies together and organize for the future, we have tried to step back and look at all of our publishing programs across both Avalon and Perseus.

At a high level, the blueprint for the combined company includes a number of publishing businesses, each with a clear area of focus and distinct identity:

- Avalon Travel will be based in the Bay Area under the leadership of Publisher Bill Newlin. This includes the phenomenally successful Rick Steves line and the rapidly growing Moon Handbooks program. We will be investing in this area to continue to drive growth. Also reporting to Bill and based in the same office will be Seal Press, which will continue its distinctive women's issues publishing under the direction of Publisher Krista Lyons-Gould.
- At Basic Books, I am pleased to announce that John Sherer, who has done outstanding work as Associate Publisher, is being promoted to Publisher, effective immediately. Basic Books will continue to publish distinguished nonfiction in the categories of history, science, politics, psychology and religion. The recent New York Times bestsellers *Second Chance* by Zbigniew Brzezinski and *I Am a Strange Loop* by Douglas Hofstadter are good examples of what Basic Books does best – publish books that truly change the way people think. Also reporting to John will be Basic Civitas, our critically acclaimed imprint of books about the African-American experience, also in New York, and Westview Press in Boulder. We plan to invest further in Westview Press, which, under the direction of Associate Publisher Cathleen Tetro, continues to thrive as a college textbook publisher while providing all of our publishing programs a leg up in college course adoption efforts. John will also be our point person for Nation Books, Avalon's joint venture partnership with The Nation Institute and will be working closely with the Institute's President, Hamilton Fish. We see this as a powerful partnership as evidenced by the current New York Times bestseller *Blackwater* by Jeremy Scahill.
- Da Capo Press will continue to be based in Cambridge, Massachusetts under the leadership of Publisher John Radziewicz, with editors in Cambridge, New York, Philadelphia, and Emeryville, California. In addition to Da Capo's eclectic popular nonfiction, John will oversee all of the Perseus Book Group's health and wellness publishing under the Da Capo Lifelong and Marlowe & Company brands. Both Lifelong (the Your Pregnancy Week by Week series and the New York Times bestseller *Belly Laughs* by Jenny McCarthy) and Marlowe (the New York Times bestselling New Glucose Revolution series and the national bestseller *Too Soon Old, Too Late Smart* by Gordon Livingston) have experienced extraordinary success, and this combination creates an area of exceptional strength for

us. A number of key staff will be joining John's team from Avalon. These include Matthew Lore and Will Balliett, both of whom bring editorial acumen and market sensitivity that can only result from long and distinguished careers in publishing. Both Will and Matthew will be joining Da Capo as Executive Editors.

- PublicAffairs, based in New York under the continued leadership of Publisher Susan Weinberg and with the ongoing support and involvement of Founder and Editor-at-Large Peter Osnos, will continue to focus on current events and politics. This is a singular and influential program whose recent New York Times bestsellers include *This Moment on Earth* by Senator John Kerry and Teresa Heinz Kerry and *Banker to the Poor* by Nobel Peace Prize winner Muhammad Yunus.
- Running Press, based in Philadelphia under the continued leadership of Publisher Jon Anderson, will continue its unique blend of illustrated and gift book publishing. Recent examples of Running Press creativity include the New York Times bestsellers *The Sneaky Chef* by Missy Chase Lapine and *Cathy's Book* by Sean Stewart and Jordan Weisman. You can expect much more of the same.
- Vanguard Press, based in New York under the continued leadership of Publisher Roger Cooper, is an innovative partnership between author and publisher. In just a short time, Vanguard has built a striking list including *Scavenger* by New York Times bestselling author David Morrell, *Quantico* by Hugo and Nebula Award-winning author Greg Bear and the soon-to-be-published 30th anniversary edition of *Roots* by Alex Haley, winner of the Pulitzer Prize.

After careful consideration, we have decided to sell Counterpoint to a group of investors led by Charlie Winton, who plans to combine it with Shoemaker & Hoard Publishers. The new venture will be called Counterpoint. We will retain a minority interest in the new company and will provide it with distribution services. We are very proud of what we accomplished with Counterpoint. We feel that bringing this program together with Shoemaker & Hoard is the right step for its future and we are committed to supporting Charlie and his team in helping Counterpoint grow and develop. We have signed a letter of intent and plan to complete the sale of Counterpoint by June 30th. This Fall PGW will be selling the Shoemaker & Hoard list and Perseus will be selling the Counterpoint list. Beginning with the next list, this program will be sold by PGW.

With Counterpoint moving to California, Executive Editor Amy Scheibe has decided to leave the company. I want to thank Amy for her many contributions in shaping this program which now includes the New York Times bestselling memoir *Jesus Land* by Julia Scheeres, Sara Thyre's acclaimed memoir *Dark at the Roots* and the much anticipated debut novel, *Landsman* by Peter Charles Melman.

We have also come to the very difficult decision to discontinue active publishing under the imprint names Carroll & Graf Publishers and Thunder's Mouth Press. While there are many outstanding authors and fine books at these imprints, there is a fair amount of overlap between the identities of these imprints and those of the major publishing businesses described above. We feel it is important to focus our efforts around publishing programs with distinct identities and we made this decision in keeping with that goal. Both backlist books and future books in these imprints will find a home in the appropriate part of the Perseus Books Group, where they will be published with care, skill and enthusiasm.

None of these changes will affect the publication of the Perseus or Avalon Fall lists, which will be published and sold as planned. For the Fall list, Avalon titles will be sold by PGW. For the next list, Avalon Travel and Seal Press will be sold by PGW and the remaining imprints will be sold by Perseus. And of course we will honor all contractual obligations to authors signed up in the past by all Avalon and Perseus imprints.


All publishing programs will be supported by Perseus Publishing Services. This means that all production, manufacturing, rights, finance, human resources and IT activities formerly handled by Avalon New York and corporate offices, will be handled by Perseus. This transition of responsibilities will begin over the next few weeks and will be largely completed this Summer. We have taken additional space at 387 Park Avenue South so that we can move out of Avalon's New York office and bring many of our people together under one roof.

As part of these changes, especially the decision to combine the Avalon and Perseus New York offices, a number of our colleagues will be leaving the company. This is a painful reality, both for those who are losing their jobs and those who remain. I feel the steps we are taking reflect what we need to do to enable the Perseus Books Group to successfully pursue our mission. Those who will not be going forward with us have worked very hard and made outstanding contributions. I am sorry we are not all going forward together and I thank you for your efforts and your accomplishments.

I would like specifically to thank Michele Martin, Senior Vice President, Publishing Director of Avalon New York, for her leadership and hard work for Avalon and now for Perseus. Michele will be leaving the company, but she has agreed to stay on and assist us in the transition effort through the summer. I have come to count on Michele's professionalism and judgment and I appreciate her willingness to help us through this period.

We are engaged in an effort that is unique, to build an organization that enables independent publishers to succeed in a world increasingly dominated by huge conglomerates. I see the new publishing structure we are announcing today as positioning us to achieve that goal. But in the end, the fact that we are succeeding is a reflection of the passion, the commitment and the tenacity of our people. I thank you for your continued support and I look forward to great achievements together.

Sincerely,

A handwritten signature in blue ink, appearing to read "David Steinberger". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

David Steinberger
President and CEO