



Corporate Office
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February 22, 2007

Dear Valued PGW Publisher:

As announced a few days ago, the Bankruptcy Court approved PGW's transaction with Perseus. Accordingly, sometime in the very near future the Perseus deal will close, and all publishers who have accepted the Perseus deal will become their clients. PGW will continue to provide certain transition services to Perseus for these Consenting Publishers and they will continue to receive high quality distribution services on an uninterrupted basis.

Many of you have been inquiring what will happen to publishers who have not accepted the Perseus offer. I understand that Perseus has agreed to extend its offer until 5:00 PM EST tomorrow, February 23, 2007.

For publishers who do not accept the Perseus deal we are prepared to offer them the following structure to help expedite the transition to a new distribution arrangement, such as with NBN, or simply take their books back:

- PGW will reject the marketing and distribution agreement, and that agreement will be deemed rejected and terminated effective on the closing of the Perseus deal, scheduled for February 28, 2007.
- PGW will cooperate with the publisher to enable it to retrieve all of its books and products in PGW's possession, custody or control within fifteen (15) days after the closing of the Perseus deal, with the publisher paying all freight and handling charges for such retrieval.
- The publisher will be deemed to have waived any claim for damages arising out of the rejection and termination of the marketing and distribution agreement. For clarification, this will not be a waiver of claims for sales of books and products prepetition or postpetition, which will be preserved, but rather is intended to cover claims for lost sales or the like relating to this transition period.
- Notwithstanding the rejection and termination of the marketing and distribution agreement, the publisher will continue to accept returns of books and products from PGW (i.e. books and products that PGW has received from booksellers and other retailers) until the earlier of the effective date of any confirmed chapter 11 plan in PGW's bankruptcy case, conversion of PGW's bankruptcy to chapter 7, or the date that is one year from the rejection and termination. PGW will accept returns from trade accounts for the industry standard 180 days.
- PGW will ship all such returns at the publisher's direction, but all returns, as well as the shipping and handling costs associated with such returns, will reduce the publisher's claims against PGW, in the following manner. These charges will first reduce (on a dollar for dollar basis) any claims you have for postpetition sales, and then against any other administrative claims you have, and finally against your prepetition claims. If at any point you do not have

claims to credit against, you will agree to pay these amounts in cash, but we anticipate that most publishers should have ample claims to credit against.

We will be drafting a form agreement to document the transition structure with those publishers who accept it, and we anticipate circulating that document within the next few days. PGW will also file appropriate papers with the Bankruptcy Court to approve the foregoing arrangement for all publishers who accept it.

We believe that the structure outlined above presents the best available solution for those publishers who do not accept the Perseus deal. This structure is essentially the same that was offered to, and accepted by, Amber-Allen Publishing in connection with approving the Perseus deal.

We urge you to accept either the Perseus deal or the transition structure we have outlined. For those publishers who do not accept either the Perseus deal or the transition structure outlined above, we cannot give you any certainty now as to how long any alternative process or structure may take or what the ultimate outcome would be.

If you have any questions or concerns, please contact us directly. We understand that Perseus has set tomorrow at 5:00 EST as the deadline to accept its offer. Please let us know as soon as possible – and in any event by Friday, March 2nd, whether you would be willing to accept the transition structure we have outlined in this letter. Inquiries to Perseus can be directed to Sabrina Bracco, V.P. Client Services 212-340-8131, Fax 212-340-8105.

Sincerely,

Irv Myers
Chief Operating Officer