

February 6, 2007

Dear PGW Publishers:

My colleagues at National Book Network and I are genuinely excited at the prospect of combining forces with our longtime friendly competitor, Publisher's Group West. PGW has been known as the Gold standard in book distribution for the past 30 years. The extraordinary company that Charlie Winton and his colleagues built from the ground up has always stood for personalized service and integrity in its dealings with clients and customers alike. NBN shares these core values. Like PGW before it was purchased by AMS, NBN has stubbornly maintained its independence even as the industry has consolidated rapidly. Today we stand for the same ideals of freedom of expression and openness with clients that made PGW the highly successful distribution company we all knew and admired before its recent difficulties.

With financial support from a major financial institution, Drawbridge Long Dated Value Advisors of New York City, we have proposed to acquire PGW by assuming its publisher contracts. We are going to work hard in the next few days to reach out to all of you by telephone and email to provide you with more details. In the meantime, I hope you will take a moment to review key points of the offer below:

1. You will be paid \$.85 on the dollar for your claim against the bankrupt estate.
2. You will be asked to extend your existing contract term by three years beyond your next anniversary date.
3. We will assume your existing PGW contract with a few modifications, including the following:
 - a. NBN does not offer free freight so you will not be asked to help pay for it.
 - b. NBN will apply a credit for returns the same month in which returns are processed by NBN.
 - c. NBN does not contribute to the cost of co-op.
 - d. NBN clients pay a small fee for pages in the NBN seasonal sales catalogs.

The following questions and answers are designed to give you some background on NBN's history, structure, and people.

General Background

1. ***Where is NBN located?*** The main office is in Lanham, MD, a suburb of Washington, D.C. The distribution center is in Blue Ridge Summit, PA near Gettysburg. We have offices in New York, Toronto, Chicago, and Boulder. NBN bought its 75 acre, 300,000 square foot distribution center in Pennsylvania from McGraw-Hill in 1997. We also own a U.K. book distribution company called NBNi in Plymouth, England.

2. ***When was NBN founded and by whom?*** NBN was founded in 1986 by The Rowman & Littlefield Publishing Group of Lanham, Maryland, a 32 year old academic, reference, and trade publisher which is one of the largest independent houses left in the industry. Its ownership group has not changed in 32 years.

3. ***How big is NBN?*** Total NBN worldwide net sales in 2006 were \$100 million.

Sales and Marketing

4. ***How is your sales force organized?*** NBN has a 20 member house sales team and 25 commission reps in the U.S and Canada. Five house reps focus on accounts outside the book trade, including ID wholesalers, cataloguers, gift stores, airport stores, grocery and drug stores, military PX stores, National Park Service stores, museum shops, and retail chains such as Cracker Barrel, Urban Outfitters, Restoration Hardware, etc. The sales force is run by Neil Levin, former Publisher of Time-Life Books, and the marketing department is run by NBN veteran Marianne Bohr. See www.nbnbooks.com for more information.

5. What role will PGW reps play in the future? NBN will try to find a role for as many PGW reps as possible in what will become a combination of the two sales organizations. The same goes for the marketing department.

6. Will NBN maintain an office in California? Yes.

Distribution

7. How will my books be distributed? For the time being, your books will continue to be shipped from Indianapolis. Order fulfillment, returns processing, and storage of slow-moving inventory will be split between our existing Pennsylvania facility and the PGW facility in Indianapolis until we decide where to consolidate the order fulfillment operations.

8. What resources does NBN have to fulfill orders quickly and accurately? NBN invested over \$5 million in a new automated, paperless Warehouse Management System (WMS) in 2004. Orders are picked using hand-held computers, cartons are moved along on an automated conveyor system through a three story picking mezzanine, and single copies are hand-wrapped in bubble wrap and put in sturdy "T" boxes. Our systems are state-of-the-art and second to none in the book industry.

POD

9. Do you offer Print on Demand? Yes, NBN was the first distributor to open a POD facility in its distribution center seven years ago. We now have 7,000 digital titles which can be printed and bound in a matter of hours to ship along with other orders received the same day. Our U.K. facility offers the same POD services so you avoid freight costs and ocean shipping delays.

10. How long will the minimum term of my contract be? Three (3) years from your next anniversary date.

Reporting

11. What kinds of reports will I get? NBN offers all the standard industry reports, including daily, on-line sales reports in Excel with an enormous amount of information, including sales, returns, backorders, free books, review copies, etc. all of which can be sorted by title, account, date, etc. Separate U.K. reports are also on-line each day. Monthly Accounts Payable reports are sent electronically within five days of the end of each month. For the transition period, of course, you will continue to receive the same Cat's Pajamas reports you receive now.

International Distribution

12. What territories do you cover? Canada is our largest territory outside of the U.S. Our Toronto office is run by Canadian sales veteran, Les Petriw. NBNi is one of the U.K.'s oldest and most respected book distributors, starting out in the 1970's as the old Harper and Row warehouse and then changing its name to Plymbridge before it was acquired by NBN in 2003. We offer coverage in the U.K. and Europe through NBNi and we offer sales and distribution in New Zealand and Australia.

Clients

13. Who are your current clients? NBN's clients publish books in just about every fiction and non-fiction subject category that one is likely to find in a bookstore. Some of our longest-standing relationships are with clients who launched their fledgling businesses in close collaboration with NBN, such as the nation's leading publisher of books on weddings, Wedding Solutions, and best-selling publisher of business books, Bard Press. Our client Lake Isle Press launched Rachael Ray's career as the # 1 cooking author in the nation. The American Automobile Association just returned to NBN after nine years as a distribution client of Simon & Schuster and travel publisher Karen Brown's Travel Guides recently left Random House to join NBN. NBN's five year old childrens' book division, NBN Kids, includes many of the top publishers in that

category, including Tanglewood, publisher of the perennial bestseller, *The Kissing Hand*, and August House, the respected publisher of folktales and storytelling titles.

Miscellaneous Services

14. Do you have a stocking or restocking fee? No.

15. Do you offer remainder sales services? Yes, through Phil Bruno, the same person PGW relies on.

16. Can returns be pulped on a title by title basis? Yes.

17. Do you charge for excess inventory? Yes, we will follow the PGW policy of \$.02 per unit for excess stock.

18. Do you perform inventory counts? Yes, a department of 20 conducts daily cycle counts throughout the year so that every book is counted at least twice a year. You are welcome to come to our facility at any time to conduct your own counts, too.

Let us conclude by saying that the one thing we do for our clients which they most often identify as the single most valuable function we offer are the face-to-face bi-annual Launch meetings we conduct between our clients and our sales and marketing teams. These meetings are usually held in Maryland and last a half day with each client. We take each new book down to its socks and critique the title, format, marketing plan, and price point. We also review a publisher's overall program to identify opportunities and suggest strategic changes. They are brainstorming sessions that aim to help our clients become better publishers. The feedback we get is its own reward.

Please feel free to call or email any of us for answers to more questions:

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Sincerely,

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