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August 18, 2015

Dear Colleagues,

It has been my practice since coming to Perseus to write you an annual letter about what transpired in the previous year. Now, there are many ways to define a year—the calendar year that commences New Year’s Day, the school year that starts in September, or the fiscal year, which for Perseus begins each July 1. In reflecting back on last year, though, the real place to start is August 7, 2014, when we announced the Hachette transaction would not go forward. It was inevitably a distracting time, yet our people and our company moved forward with our signature resolve—focusing on our authors, books, clients, and customers—leading to impressive results, beating our financial goals for the year, and setting numerous performance records. In fact, this year our in-house and client publishers combined to generate higher total sales than in any year in our history, with each succeeding month marked by the kind of signal effort and success that has long characterized the Perseus Books Group.

In **September**, our **Da Capo** imprint became the publisher of an exceptional suite of bestselling health and wellness titles originated by the prestigious Mayo Clinic, thereby adding ten books by this extraordinary brand to Da Capo’s already impressive wellness offerings. Booksellers everywhere immediately responded as these books became bestselling backlist titles in multiple channels. As ever, vegan cookbooks proved a strong category for Da Capo, with Terry Romero’s *Salad Samurai* going back to press multiple times, and Isa Chandra Moskowitz’s classic *Vegan with a Vengeance*—the book that jumpstarted the vegan movement—reissued in an expanded tenth-anniversary edition. Another reissue, a twenty-fifth anniversary edition of psychologist Ellen Langer’s groundbreaking *Mindfulness*, proved exceptionally successful, with the author profiled in a cover story in the *New York Times Magazine*. Among Da Capo’s music offerings this year, David Browne’s band biography *So Many Roads*, with publication timed to the Grateful Dead’s last concert tour, proved a media favorite, as did two books that are off to great starts in the new fiscal year, both by metal rockers—Randy Blythe’s *Dark Days* and Corey Taylor’s *You’re Making Me Hate You*. Honors abounded for many of Da Capo’s distinguished history titles, including Justin Marozzi’s “beautiful and disquieting” *Baghdad*, winner of the Royal Society of Literature’s Ondaatje prize; William C. Davis’s *Crucible of Command*, winner of the Civil War Museum’s Jefferson Davis Award; and Justin Martin’s *Rebel Souls*, finalist for the PEN/Jacqueline Bogard Weld Award for Biography. And as we head in to the fall, sales are already building for the twenty-fifth anniversary edition of one of Da Capo’s, and this company’s, signature books, the #1 *New York Times* bestseller *Friday Night Lights*, named by *Sports Illustrated* as the best football book of all time and by ESPN as the best sports book of the past quarter century. Author Buzz Bissinger has added a moving epilogue to this edition that updates the lives of the six key characters from the original book. Buzz will finally complete the Texas book tour that was canceled twenty-five years ago because of death threats. Thank you to Publisher John Radziewicz for nurturing such a special and distinct list of frontlist and backlist books that today comprise a Da Capo imprint in which we can all take great pride.

In **October**, we received major press attention with the **Running Press** publication of YouTube sensation Alfie Deyes, whose highly successful *Pointless Book* was soon followed up by an equally successful *Pointless Book 2*. This was an exciting year for Running Press, which won new minikit licenses from *Game of Thrones*, *Frozen*, and *The Walking Dead*, joining our rapidly growing and category-leading program featuring bestselling properties like *Dr. Who*, *Harry Potter*, *Star Trek*, and more. The cookbook program had two books

this year that won significant acclaim, including features in the NYT Food section—Ashley Rodriguez’s *Date Night In* and Maureen Abood’s *Rose Water and Orange Blossoms. Tequila Mockingbird*, by Tim Federle, has sold more than 200,000 copies and is being followed up this fall by *Gone with the Gin*, which is sure to be another hit. And speaking of food and drink, Running Press announced an affiliate relationship with Burgess Lea Press, a new mission-driven publisher of beautiful cookbooks, led by Running Press founder Buz Teacher and his wife Janet Bukovinsky, the James Beard–winning cookbook editor. Running Press also signed a partnership with Turner Classic Movies this year, and our first titles in this program will be published this fall—*Creating the Illusion* and *Fellini: The Sixties*. The biggest hit of all for Running Press this year was Jen Sincero’s *You Are A Badass*, which just landed on the NYT bestseller list for the fifth week in a row, with more than 250,000 copies in print and sales that continue to grow by the day. Thank you to Publisher Kristin Kiser, who joined Running Press this year after great success at Random House, Hyperion, and Rodale, and immediately brought her own brand of energy and expertise to one of this industry’s uniquely creative and successful imprints.

In **November** we welcomed new client Highlights Press, which began a strong run of signing new publishers across our client services businesses over the course of the year, including Penguin Random House Grupo Editorial USA, and Brookings Institution Press (at Perseus Distribution); Alternative Comics, Cicada, Deep Vellum, Postcart, Hispabooks, Secret Acres, and Third Man Books (at Consortium), Microcosm, Forest Avenue, Destination Press, The Innovation Press, and Crooked Lane (at Legato); and The Unnamed Press, Yellow Pear, Dzanc Books, Hawk’s Nest, and Wellstone (at PGW). Independent publishers continue to join us not just because of our expertise, but because of our spirit of partnership, our clout in the marketplace, and our track record of delivering results. And the results speak for themselves: Our client service business had a record year with client sales up double digits compared to last year.

On **December 30**, as 2014 became 2015, Facebook founder and CEO Mark Zuckerberg put up a post on his Facebook page, announcing that his new year’s resolution would be to read a new book every two weeks “with an emphasis on learning about different cultures, beliefs, histories, and technologies.” His first pick was from our own **Basic Books**—*The End of Power*, by Moises Naim, making the book an instant NYT bestseller. Our digital platform **Constellation** (which serves both our own imprints and client publishers) and Melissa Serdinsky’s terrific team enabled us to meet the incredible surge of demand that Zuckerberg’s announcement generated. Later in the year, in a speech on public service at Georgetown University, former President Bill Clinton recommended another Basic Book—Gerard Russell’s *Heirs to Forgotten Kingdoms*. Basic had a year of critical and commercial successes, including Edward Baptist’s *The Half Has Never Been Told*, Martin Ford’s *The Rise of the Robots* (which was just longlisted for The Financial Times and McKinsey Business Book of the Year Award), Kevin Kruse’s *One Nation Under God*, Eric Topol’s *The Patient Will See You Now*, and Eugene Rogan’s *The Fall of the Ottomans*. Basic also continued to receive prolific and high-profile media attention throughout the year—thirty-seven titles were reviewed in the *Wall Street Journal* and twenty-three in the *New York Times Book Review* (two of which were cover reviews). A number of Basic’s titles were recognized as top books of 2014, including Mary Elise Sarotte’s *The Collapse* (selected by the *Financial Times*, *The Economist*, and *BBC History Magazine*); Geoffrey Wawro’s *A Mad Catastrophe* (selected by the *Financial Times*, *Providence Journal*, *Winnipeg Free Press*, and *National Post*); Roger Moorhouse’s *The Devils’ Alliance* (selected by *The Telegraph*, *Winnipeg Free Press*, and *BBC History Magazine*); and Roberto Trotta’s *The Edge of the Sky* (selected by *Brain Pickings* and *Huffington Post*; Trotta was also named by *Foreign Policy* as one of the 100 Leading Global Thinkers of 2014). Basic also won an unprecedented number of prestigious prizes this year. Edward Baptist’s *The Half Has Never Been Told* was awarded the 2015 Hillman Prize for Book Journalism and the 2015 Avery O. Craven Award from the Organization of American Historians. Alexander Watson’s *Ring of Steel* also won two major history prizes: the Guggenheim-Lehrman Prize in Military History and the Wolfson History Prize. And Serhii Plokhy’s *The Last Empire* was awarded the Lionel Gelber Prize and the Pushkin House Russian Book Prize. Richard Brookhiser’s *Founders’ Son* won the Henry and Anne Paolucci Book Award, and Peniel Joseph’s *Stokely* won the Benjamin L. Hooks Institute

for Social Change National Book Award. All in all, financial results for Basic have never been better and the quality of the list speaks for itself. Thank you to Publisher Lara Heimert, whose publishing vision and drive for excellence have taken an imprint with an extraordinary legacy to ever greater heights.

In **January**, *The Washington Post* broke the announcement that **PublicAffairs** would publish Garry Kasparov's new book *Winter Is Coming*, an expose of Putin's Russia. PublicAffairs also made news for a classic backlist title fifteen years after its first publication. The *NYT* bestseller *Black Mass* is becoming a major motion picture from Warner Brothers, starring Johnny Depp as notorious South Boston gangster Whitey Bulger. Another book-to-film title is Stephen Kurkjian's *Master Thieves*, about the robbery at the Isabella Stewart Gardner Museum (back in the headlines as we speak), which was swiftly optioned for film. Also this year, Peter Pomerantsev's *Nothing Is True and Everything Is Possible* was chosen as one of Amazon's best books of the year in the History category and was recently longlisted for the Guardian First Book Award, while Emma Sky's account of her time in Iraq, *The Unraveling*, received a glowing review on the front page of the *New York Times Book Review*. In *No Ordinary Disruption*, the PublicAffairs team found an enterprising partner in McKinsey & Company, and oversaw the publication of the book in the US, UK, and in separate editions in India and Australia. Adam Tanner's *What Stays In Vegas* was one of the *Washington Post's* 50 Notable Nonfiction Books of 2014. PublicAffairs is the publishing platform for Nation Books, whose standout successes included Chris Hedges's *Wages of Rebellion*, which received a front-page review in *The New York Times Book Review*; and Nelson Denis's *War Against All Puerto Ricans*, which sold so strongly in its English edition that we have translated it into Spanish for publication in the late fall of 2015. For these many accomplishments, we thank Clive Priddle for his editorial skills and his publishing leadership. Special thanks as well to PublicAffairs Founder and Editor-At-Large Peter Osnos for his counsel, leadership, and efforts on behalf of the entire company.

In **February**, we received significant press attention for the growing bookseller enthusiasm for YouTube star Paige McKenzie and her YA novel *The Haunting of Sunshine Girl*, published by **Weinstein Books**. Our whole company threw itself behind making this book a success and it continues to sell everywhere, from independent booksellers to B&N to mass merchant accounts, paving the way for a successful paperback publication next spring as well as the highly anticipated second book in the trilogy—*The Awakening of Sunshine Girl*. This year saw a strengthening of our partnership with The Weinstein Company (TWC,) with Publishing Director Georgina Levitt and Editorial Director Amanda Murray working creatively to coordinate our rights acquisitions. Examples include not only the Sunshine Girl franchise for which TWC secured TV and film rights, but also the sequel to *Crouching Tiger Hidden Dragon*, and *Happy People Read and Drink Coffee* (the international phenomenon, now in development for feature film.) On top of all that, last year's #1 *NYT* Bestseller from Weinstein Books—Michelle Knight's moving memoir *Finding Me*—returned to the *NYT* bestseller list for eight weeks as a trade paperback, propelled by a key anniversary, a Lifetime movie, and a strong publicity, marketing, and sales effort.

In **March**, our client service business **PGW** helped Grove Atlantic's *H is for Hawk* by Helen Macdonald hit the *New York Times* Bestseller list, where it stayed for eleven weeks. Other *NYT* Bestsellers included Donna Leon's *By Its Cover* and *In Love*, and Lily King's *Euphoria*. These, as well as Thich Nhat Hahn's *Mindfulness Essentials* series—*How to Sit*, *How to Love*, *How to Eat*, and *How to Walk*—from Parallax Press; *This Present Moment* by Gary Snyder from Counterpoint; *A Book of Walks* by Bruce Bochy from Wellstone; and many other titles appeared frequently on regional best seller lists across the country. One of PGW's newest clients—Genesis Publications—had a smashing success with *Jimmy Page by Jimmy Page*, selling almost 60,000 units of a \$60 book. This year, sixteen PGW titles were named Indie Next Picks, including *All My Puny Sorrows* by Miriam Toews (McSweeney's) and *Medicine Walk* by Richard Wagamese (Milkweed). And PGW fortified its position as the #1 distributor of Travel Books in North America serving FrommerMedia, Time Out, Let's Go, Passport, Wilderness Press, Menasha Ridge, UnofficialGuides, and City Secrets, together with our in-house imprints Rick Steves and Moon. Finally, PGW signed legendary British publisher Faber & Faber

for the US market, not only as a client, but as a partner in offering integrated print and digital distribution services to UK independent publishers, an extension of our successful joint venture, **Faber Factory Powered by Constellation**. Thank you to Susan Reich, who led PGW so ably for so many years before her retirement, and to her successor, PGW President Sean Shoemaker, for his hard work ensuring a smooth transition and a year of record sales for this storied distributor.

Significant growth and successful accomplishment of full-year goals also characterized the second year of **Legato Publishers Group**—with year-over-year sales up by double-digit percentages. Client highlights this year included Search Press being named Publisher of the Year by the Independent Publishers Guild in the UK; Tachyon's title *Yesterday's Kin* winning the Nebula award; and a number of titles reaching the top 50 in their Bookscan categories, including *Goodnight Brew*—Humor (Bailiwick), *The Ultimate Scholarship Book 2015*—Study Aids (SuperCollege), *Slow Bullets*—Science Fiction/Fantasy (Tachyon), and *Joni Mitchell: In Her Own Words*—Music (ECW). Thanks to President Jeff Tegge, who stepped up when Mark Suchomel was promoted to President of Client Services, for continuing the growth story at Legato.

April saw the Pulitzer Prize for Drama awarded to **Consortium** client TCG, for *Between Riverside and Crazy* by Stephen Adly Guirgis, capping an award-filled thirtieth-anniversary year for Consortium. *Preparation for the Next Life* by Atticus Lish (Tyrant Books) was awarded the PEN/Faulkner Award for Fiction; *Shackelton's Journey* from Nobrow/Flying Eye won the Kate Greenaway Award; and *Gabi, a Girl in Pieces* by Isabel Quintero (Cinco Puntos) won the ALA Bill Morris Award for Best Children's Debut. Consortium clients also had *NYT* Bestsellers in *Rad American Women A-Z* by Kate Schatz and Miriam Klein Stahl (City Lights); and *Robert Moses: The Master Builder of New York City* by Pierre Christin and Olivier Balez. Other notable titles included *A Stranger in Olondria* by Sofia Samatar (Small Beer), which won best novel at the World Fantasy Awards; and *A Face in the Crowd* by Valeria Luiselli (Coffee House), which won the *Los Angeles Times* Book Award for First Fiction. Four titles were named *NYT* Notable Books, including *Thrown* by Kerry Howley (Sarabande); *A Girl is a Half-Formed Thing* by Eimear McBride (Coffee House); *The Jacket* by Kirsten Hall, illustrated by Dasha Tolstikova (Enchanted Lion); and *Hansel and Gretel* by Neil Gaiman, illustrated by Lorenzo Mattotti (Toon Graphic/Toon Books). "*Father Comes Home from the Wars (Parts 1, 2, 3)*," by Suzan-Lori Parks (TCG), was a Pulitzer finalist in drama while "*Compass Rose*," by Arthur Sze (Copper Canyon Press) was a finalist for poetry, and *The Red Notebook*, by Antoine Laurain (Gallic) was an Indie Next Pick. In the end, Consortium delivered the highest annual sales in its history. Congratulations and thank you to President Julie Schaper whose leadership was vital to all these accomplishments.

In **May**, we officially launched **Perseus Academic** when Princeton University Press and the University of California Press joined longstanding client Columbia University Press in this new division dedicated to serving the unique needs of university and academic presses. Perseus Academic is an affiliate of **Perseus Distribution** whose clients had exceptional years, marked by a slew of *NYT* bestsellers. Clients hitting the *NYT* list include Regnery (*America* by Dinesh D'Souza, *Blood Feud* by Ed Klein, *Jesus on Trial* by David Limbaugh, *Adios, America* by Ann Coulter, and *Digital Destiny* by Shawn DuBravac), Harvard Business Review Press (*The Alliance* by Reid Hoffman), Ben Bella (*Impact* by Tim Irwin, and *The Bank on Yourself Revolution*), Hazelden (*The Gifts of Imperfection*, by Brene Brown), and The New Press (*The New Jim Crow* by Michelle Alexander.) And Skyhorse Publishing brought more than fifty Minecraft titles to market with blockbuster sales all year long, and had several bestsellers on the *New York Times* category lists, including *The Paleo Cookbook* by Anna Conrad, *A Man Called Intrepid* by William Stevenson, and *Strange and Obscure Stories of the Civil War* by Tim Rowland. As a result of all of these successes, Perseus Distribution delivered more sales this year than ever before. Thank you to President Heidi Sachner for so ably succeeding Sabrina McCarthy, who was promoted to Sales Director for the overall company this year.

June marks the beginning of the summer travel season, and our **Avalon Group** traveled far this year. The Rick Steves Pocket series to top European cities has grown to ten titles, with every title a category bestseller

and a per-title market share of 40 percent. With the new Moon Road Trip series an instant success, Moon travel guide sales rose 20 percent for the second consecutive year, and now stand at record levels. The Westview teams in Boulder and Berkeley collaborated to launch a completely rebuilt website at westviewpress.com, featuring course adoption titles in sixteen academic disciplines and integrating exam and desk copy requests with new customer relations management software. Seal Press grew its backlist by 10 percent with a series of targeted promotions, notably a year-long mission-driven campaign focusing on four key domestic violence awareness e-books. Thank you to Publisher Bill Newlin for his highly successful stewardship of Avalon and his simultaneous leadership of our cross-functional Digital Strategy Team, which helps keep our company at the cutting edge of digital developments.

Many of our editors also traveled far in June, this time to New York, where we held our first-ever Editorial Summit, a chance for all of the company's acquiring editors to exchange ideas, learn from our most seasoned editorial leaders, and strengthen relationships within and across our imprints. It was a special day, and our editors approached it exactly as you would expect—with energy, insight, and a spirit of teamwork.

Now, none of what we accomplished would be possible without the Perseus shared service platform that supports all of our efforts.

In the autumn of 2014, we launched a new organizational structure for the International Sales Group—designed to enable greater focus and streamlined execution on key books and brands, markets, and sales opportunities. International Sales people based in New York and London were brought together under the leadership of one global head of International Sales & Marketing, and in January 2015, this strategy became a reality when Meredith Greenhouse joined Perseus to lead International Sales. In addition, we invested in an International Operations and Communications department to work in tandem with the sales team, to bridge communication gaps within the larger organization, and to develop effective processes that integrate with existing workflows across the company. Agustina Casal joined the ranks of International in September 2014 and leads this effort. With change being the one constant throughout the year, the international sales team delivered excellent results, handily beating their FY15 targets and prior year performance. While there were notable high points across markets, the “*badass*” award goes to Edison Garcia for an extraordinary job growing sales and market share and opening new accounts across Latin America and the Middle East. In fiscal 2016, Edison's responsibilities will expand to include Europe. As always, we recognize the significant contributions of our subsidiary rights and contract management teams. They continue to deliver strong results to the P&L while supporting the publishing and client service groups. I also would like to thank Carolyn Savarese for her dynamic and rock-solid leadership of these three key shared service departments.

In the world of IT, Operations, and Warehouse Services, this was a year that saw significant increases in the number of clients, the number of titles we manage, and the volume of books sold across the Perseus Books Group. Our five largest new clients alone this year added 8,200 titles and 4.7 million units to our distribution center in Jackson, TN, bringing the total number of titles being managed in Jackson to a record 95,338. We processed a record 462,000 orders, shipped a record 45 million books, and distributed millions of e-books through our Constellation digital platform. Also this year, we added a number of important vendors to Constellation, including 3M Cloud Library, Gardners Library, VitalSource, CourseSmart, Mackin, Yuzu, and Oyster e-book retail. And we made significant improvements to a number of important systems—including upgrading three different sales systems in to one web-based SalesTracker. Thank you to the members of the Senior Team that lead key aspects of this powerful shared service infrastructure that all of us rely on: Greg Orr, Chris Wagner, John Quinn, and Melissa Serdinsky.

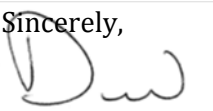
For years, this company has been led by a talented and dedicated Senior Team of two dozen leaders across the company who meet with me monthly to review the company's progress and our goals for the future. Members of this team have been, and continue to be, critical to our success and I have mentioned all but a

few of them by name in this letter. Those I have not yet mentioned, I will mention now, because in addition to being members of the Senior Team, they constitute the Executive Team we established this year to help guide the company at an even more strategic level—to step back, identify, and pursue the fundamental drivers of long term growth and success that will guide us forward. This executive team includes COO Charles Gallagher, CMO Rick Joyce, Chief Talent Officer David Bronstein, SVP Operations Ray Floyd, Sales Director Sabrina McCarthy, President of Publishing, Sales, and Client Services Development Matty Goldberg, Client Services President Mark Suchomel, and Group Publisher Susan Weinberg. I thank each of them for their many efforts in leading the company forward to such a successful year, and in positioning the company for growth in the future.

One of the keys to the future that the Executive Team identified early on was a special focus on attracting, retaining, and developing the very best people. The results can already be seen in key hires—some examples include Ray Floyd to lead Operations, Kristin Kiser to lead Running Press, Meredith Greenhouse to lead International Sales, and Mary Faria and Maha Khalil in new, key Sales roles. This can be seen in promotions as well—a few examples include Heidi Sachner at Perseus Distribution, Sean Shoemaker at PGW, Jeff Tegge at Legato, Adam Schnitzer in Sales, Edison Garcia in International Sales, Agustina Casal in International Operations & Communications, Isabelle Bleecker and Jennifer Thompson in International Rights, Kathleen Schmidt making the move to Running Press, and Jaime Leifer at PublicAffairs. It can also be seen in the newly designed year-round internship program we launched this year and the new energy we are investing in recruiting efforts for entry level positions. Perseus offers a unique and compelling value proposition to talented people who care about books and writers, and are ready to work hard and be part of a dynamic team. This is and will remain a major focus for the company.

It has truly been an extraordinary year—a year of records and recognition, a year of exceptional publishing and service to publishers, and I only regret that in this letter I can't thank every employee by name. Delivering a year like this happens only because of our collective effort. We have together built a special company with a unique mission—enabling independent publishers to reach their potential, whether they are owned, joint ventures, or client publishers. Your collective dedication to this mission, evident in every book you touch, endures long past the turn of any calendar page, and for that I thank you all.

Sincerely,

A handwritten signature in black ink, appearing to read 'Dw', enclosed in a thin black rectangular border.

David Steinberger
President and CEO