

Random House, Inc. Terms of Sale
Digital Audio Books for Library and Institutional Lending Wholesalers
Updated July 1, 2007
Page 1 of 3

Discount for Library and Institutional Lending

Distribution of Digital Audio Books: Discounts listed are off the library digital list price as stated in U.S. currency ("LDLP"): 20% on all copies sold. All sales are non-returnable.

Credit

Sales will be made to all library and institutional lending wholesale accounts in good standing, as determined by the RH Credit department.

Territories

For each RH Digital Audio Book sold to Reseller hereunder, RH will notify Reseller of any territorial restrictions that apply to the sale and distribution of that title.

Sales Statements and Payments

Sales statements are due on monthly sales on or before the 10th day of each calendar month for sales occurring in the preceding month. Statements must conform to the official Random House Digital Sales Report or an alternative reporting format, subject to RH's prior approval. Monthly sales statements shall include the following information for each RH Digital Audio Book title that is sold by Reseller that month, organized by library account: Author, title, ISBN-13, the number of copies sold, and the date of sale with respect to such sales. Following receipt of each month's sales statement, RH will provide Reseller with an invoice stating the amount due for the copies sold that month.

Payments are due 15 days End of Month from the date of RH's invoice. Payments in the form of checks, money orders, or wire transfers shall be made in U.S. currency, and are due at the RH bank by the last banking day of the month due.

Reseller will provide RH with access to real-time sales reporting systems which will allow RH to obtain RH Digital Audio Book sales volume data, by title and collectively, on a day-to-day, as well as a cumulative basis. If such systems are not currently available, Reseller will endeavor to establish such systems and make them available to RH as soon as reasonably practicable. Until such time as such systems are available, Reseller will provide RH with comprehensive weekly sales reports.

Order Fulfillment System

Reseller, either directly or through a third party, will maintain an electronic order-fulfillment system with digital rights management, security and encryption features acceptable to RH ("the System"). The System will store

RH Digital Audio Books, receive and process electronic orders for such Digital Audio Books from library accounts, and transmit Digital Audio Books, in encrypted form only, to such customers. The System shall be maintained in a strictly secure environment, pursuant to current industry standards for the housing and storage of digital information, so that RH Digital Audio Books are secure from theft, manipulation, unauthorized copying or transmitting, infringement and other misappropriation ("Misappropriation"). RH reserves the right, at any time, to change the LDLP of any RH Digital Audio Book, to replace, edit or modify the audio master of any RH Digital Audio Book, and to declare any RH Digital Audio Book no longer for sale as a library or institutional lending product. Reseller must make the adjustments set forth in the preceding sentence immediately upon receipt of RH's instructions, and Reseller shall confirm in writing that such adjustments have been made.

Upon request, Reseller will furnish RH with a written statement, signed by an officer of Reseller, that specifically describes the System used by Reseller for the sale of RH Digital Audio Books, including the System's digital rights management system and the manner in which such Digital Audio Books are stored, encrypted and distributed. Thereafter, Reseller shall notify RH of any material changes made to the System, and RH shall be given the opportunity to evaluate any such changes or to reevaluate existing Systems at any time.

RH acknowledges that Reseller may use one or more third parties to assist with sales and fulfillment of Digital Audio Books. Reseller's use of such fulfillment contractor(s) shall be subject to RH's prior written approval. Reseller shall be responsible for ensuring that its fulfillment contractor(s) comply with the provisions of these Terms of Sale. Reseller agrees to be responsible for any breach of the Terms of Sale by its fulfillment contractor(s).

Distribution

Reseller is authorized to sell copies of RH Digital Audio Books that are purchased from RH pursuant to these terms of sale. No rights under copyright are granted to the Reseller with respect to any Digital Audio Books offered for sale hereunder. To the extent Reseller is making copies of the Digital Audio Books as part of the electronic order fulfillment and transmission functions of the System, Reseller will be deemed to be making such copies as a vendor and service provider on behalf of RH. Reseller may not abridge, expand, edit or otherwise modify or alter the contents of any RH Digital Audio Book, and advertisements may not be included in or as part of the transmission of such Digital Audio Books.

Random House, Inc. Terms of Sale
Digital Audio Books for Library and Institutional Lending Wholesalers
Updated July 1, 2007
Page 2 of 3

Reseller shall use commercially reasonable measures to insure that the methods used for transmitting RH Digital Audio Books are free from defects that may harm the end-user's computer, hardware, software or data.

Reseller shall impose the following user limitations to all library and institutional lending accounts that purchase Random House Digital Audio Books from the Reseller:

- One copy/one registered user: At any given time, a library or institution may loan out only as many digital copies as it has actually purchased from the Reseller, and only to its registered patrons who have hard copy lending privileges;
- Check-out periods: Once a designated purchased copy is checked out by a patron, no further copies attributed to that designated copy may be accessed by other patrons until the end of that patron's check-out period. At the end of the check-out period, the patron's access to the copy will be terminated;
- CD Burning and file sharing prohibited: Reseller's System will prohibit patrons from copying the file of a RH Digital Audio Book to a CD or emailing it to another user.

Resellers shall display to all customers a reasonably prominent on-screen notice that the Digital Audio Books are protected by copyright and provide a proper warning against Misappropriation.

Encryption

Reseller will utilize digital rights management, encryption and security technology approved by RH to secure the Digital Audio Books from Misappropriation and insure compliance with the user limitations set forth above. In the event that RH reasonably believes its Digital Audio Books are being Misappropriated as a result of Reseller's distribution of the Digital Audio Books pursuant to a previously approved digital rights management or encryption scheme used by Reseller, upon notice from RH, Reseller will be required to either cease distribution of RH Digital Audio Books or take immediate steps to upgrade or replace its digital rights management, encryption and security technology, provided that any such new or upgraded technology shall be subject to RH's prior written approval. If RH is not satisfied with the Reseller's solution, RH may require immediate withdrawal of its titles from the Reseller's System. If compromised security is related to a specific electronic format as opposed to Reseller's System, RH may instruct Reseller to cease selling its Digital Audio Books in the compromised format.

Books of Account

Reseller shall maintain complete and accurate books of account and records covering all purchase transactions with RH and with Reseller's customers involving RH Digital Audio Books. Upon reasonable notice to Reseller, RH and/or its representatives shall have the right to inspect, analyze, audit, and copy the business records of Reseller that relate to such transactions in order to confirm sales and receipts pertaining to the transmission of RH Digital Audio Books and verify the accuracy of information reported through the System. The expense of any such audit shall be borne by RH unless errors in accounting in Reseller's favor amounting to five percent (5%) or more of the sums paid to RH during the audited period are found, in which event such expenses shall be borne by Reseller.

RH may at any time designate an independent consultant to audit the effectiveness, security and integrity of Reseller's System. Reseller will ensure that any auditors or consultants hired by RH to conduct such a study will be provided with sufficient access to the System to enable a comprehensive review of such System.

Cease Publication

Random House may at any time in its sole discretion declare any or all of Random House's Digital Audio Books no longer for sale by a Reseller, and upon receipt of notice of such action, the Reseller will promptly cease selling, marketing, promoting and distributing such Digital Audio Book files. Notwithstanding such termination of Reseller's distribution rights to any Digital Audio Book, Reseller may continue to host and transmit copies of the Digital Audio Books previously purchased by its library and institutional lending customers.

Marketing Incentives

The Reseller is eligible to receive additional discounts for providing the following promotional services:

1. Effective management of early solicitation: Reseller will provide customers with early notification (2-3 months ahead of the release date) of titles that will be made available by RH, and establish a system that allows customers to place their orders for those titles at that time: **2% additional discount.**
2. Effective holds management: A system that allows library patrons to join a digital queue to borrow a Digital Audio Book for which no copies are immediately available for loan because of high demand. Librarians will have access to information about titles for which patrons are awaiting copies and the number of patrons who are in the queue: **2% additional discount.**

Random House, Inc. Terms of Sale
Digital Audio Books for Library and Institutional Lending Wholesalers
Updated July 1, 2007
Page 3 of 3

3. Promoting specific RH Digital Audio Books or lists of such titles through vehicles such as advertising, email newsletters, print catalogs, librarians' web interface, or any other vehicles that will highlight the RH Digital Audio Book selection; these marketing programs must be above and beyond standard line listings: **2% additional discount.**

4. Individual title listing and search capability appropriate for audio books: In addition to basic fields such as title, author, publication date, imprint, ISBN and subject category, the listings should be searchable by narrator, length of recording, and whether the program is abridged or unabridged: **2% additional discount.**

5. Backlist merchandising, promotion and collection development initiatives aimed at filling in gaps in libraries' collections: **2% additional discount.**

The above discount incentives will be issued only if the above support items are reasonably fulfilled on a continuing and consistent basis to the satisfaction of RH. Non-compliance with any of the support items of this plan at any time may result in the Reseller forfeiting its eligibility to receive all or part of the discount incentives outlined above. Contact your RH or BOT sales representative for more details.

Promotions

Reseller is authorized to provide in-person demonstrations of RH Digital Audio Books at conferences, trade shows and for prospective customers, and to preview up to 5 minutes of any RH Digital Audio Books in such settings and to such prospective customers.