

RANDOM HOUSE, INC.
2012 DISTRIBUTOR EFFICIENCY PROGRAM (DEP) &
2012 ADULT FREEDOM INCENTIVE PLAN

There are 2 options for Adult Mass Market incentive earnings for Mass Merchandise Distributors. Distributors who service the Mass Merchandiser Market that elect to participate in the Freedom Incentive Plan for Adult product (see Appendix B) must do so by 1/15/12.

Otherwise, the account will be put on the **DEP**.

RH ADULT & RH CHILDREN'S DEP PLANS:

1. All Mass Market (MM) & Digest (DG) title purchases (except select product types – contact your rep for details) will participate in the plans to receive additional discount.
2. All MM & DG units (including those product types that are excluded for additional discount) will participate for sell-through calculations.
3. There will be separate sell-through % calculations for:
 - RH ADULT PLAN [includes Bantam Dell, Ballantine, Vintage/Anchor, and MM client publications. New lines that are added throughout the year will earn an incentive at whatever qualifying level is achieved with Bantam Dell, Ballantine, Vintage/Anchor, and MM client publications].
 - RH CHILDREN'S BOOKS PLAN (includes BFYR & Disney)
4. Business blends are required. The "business blend" is defined as the breakdown of an account's net sales among the Mass Merchandiser, Bookstore, and Education & Library markets. There will be an audit and update of the business blends each year in October to be applied to the following fiscal year.
5. Efficiency incentives are paid in the form of credits issued annually, and are calculated on net dollar billing at retail.
6. Eligibility to earn the efficiency discount is contingent on calendar year 2013 first-quarter unit returns not exceeding 35% of the total calendar year 2012 returns. **In addition**, the account must be in good credit standing with RH. Accounts deemed not in good credit standing by the Random House credit department forfeit any and all rights to incentives earned as a result of this program. Customers cannot deduct any estimated or anticipated incentive claim prior to the actual incentive credit being issued by RH, Inc.
7. The distributor must notify Random House in writing by January 15, 2012 of any changes in the percentage of its net MM business in the mass merchandise market in which in-store service is performed. Random House reserves the right to not pay any incentive on its business in accounts where in-store service is not provided.

Returns Efficiency Component

These grids calculate the discount incentive that a distributor can earn at various sell-through levels. The discount earned according to these grids will be adjusted by the distributor's payment efficiency as indicated on the grid at the bottom of the page.

FOR ALL PARTICIPATING MASS MARKET & DIGEST BOOKS FOR RH, INC.

Portion of Distributor's Business Servicing the Mass Merchandiser Market:

Sell-Through	60% +	56% - 59.9%	53% - 55.9%	50.0% - 52.9%
Incentive	4.00%	3.00%	2.00%	1.00%

Portion of Distributor's Business Servicing the Bookstore Market:

Sell-Through	80% +	71% - 79.9%
Incentive	2.00%	1.00%

Portion of Distributor's Business Servicing the Education & Library Market:

Sell-Through	85% +	80.0% - 84.9%	76.0% - 79.9%	71.0% - 75.9%
Incentive	4.00%	3.00%	2.00%	1.00%

Payment Efficiency Component

This grid calculates the adjustment made to a distributor's earned efficiency incentive based on payment efficiency. All divisions combine when determining an account's payment efficiency. For example, if an account is delinquent for 2 months for Bantam Dell Ballantine, but prompt every month for Children's, they will only receive 83% of ALL incentives earned for both divisions.

Months Prompt Payment	DEP Incentive Payout
12 out of 12	100%
11 out of 12	92%
10 out of 12	83%
9 out of 12	75%
8 out of 12	67%
7 out of 12	58%
6 out of 12	50%
5 out of 12	42%
4 out of 12	33%
3 out of 12	25%
2 out of 12	17%
1 out of 12	8%
0 out of 12	0%

RANDOM HOUSE, INC. RESERVES THE RIGHT TO CHANGE TERMS OF SALE AT ANY TIME.

<http://www.randomhouse.com/bookseller/terms.html>

RANDOM HOUSE, INC.

2012 ADULT FREEDOM INCENTIVE PLAN FOR MASS MERCHANDISE DISTRIBUTORS**FREEDOM PLAN QUALIFICATION:**

All mass merchandise distributor companies can qualify for the plan provided they meet the conditions below:

1. All new title orders for all formats must be submitted to RH by the established due dates (see following page for dates).
2. The RH frontlist and backlist must receive the appropriate support in the designated retail outlets, as merited by history, sale trends, and marketplace opportunities.
3. Hot-selling titles are to be replenished in the key retail accounts.
4. The account must be in good credit standing with RH. Accounts deemed not in good credit standing by the Random House credit department forfeit any and all rights to incentives earned as a result of this program. Customers cannot deduct any estimated or anticipated incentive claim prior to the actual incentive credit being issued by RH, Inc.
5. Operations: The mass merchandise distributor is fully responsible for performing the necessary operational functions whether they are performed by the payer of record to RH and/or contracted out to a third party. This includes: making our product store-ready, meeting street dates, access to distributor templates, reorder replenishment, proper merchandising and product presentation. Title inventory information must also be made available upon request or via a direct feed.

SECTION I: Each mass merchandise distributor elects to participate in one of two offerings: a) bestseller positioning or b) sales efficiency. For either option, a quarterly payment of 2% of mass market net billings at retail will be paid provided that all qualifications are met and the mass merchandise distributor is keeping pace to earn additional incentives on either option. If the mass merchandise distributor falls below the mandatory bestseller positioning (as outlined in Section 1.a. below) or falls below a 55% sales pace on the efficiency plan (Section 1.b. below), RH will disqualify the mass merchandise distributor from the 2% quarterly incentive and charge back for any quarterly payments previously issued.

In addition to the 2% quarterly payment, accounts will be eligible to receive additional year-end discounts as follows:

a. **Mass Market Bestseller Positioning (Total = +3% of mass market net billings at retail):**

- +2%: provided that the account agrees to the twelve (12) mandatory bestselling position slots and to the twenty-four (24) bestseller wildcard slots as outlined by the Random House Sales Director. Note that if there is a significant title shift during the year, Random House reserves the right to revise the slotting based on historical sales.
- +1%: provided that the accounts sales efficiency is greater than 65%. Sales efficiency is defined as net mass market units divided by gross units.
- The qualifying months for bestseller listings are January, 2012 through December, 2012.

OR

b. **Sales Efficiency (Total = +3% of mass market net billings at retail):**

- +3%: Based upon the actual sell-through percentage in mass market units outlined below.

<u>Sell-Through %</u>	<u>Incentive</u>
60	1.0%
61	1.5%
63	2.0%
64	2.5%
65	3.0%

SECTION II: The Backlist

- a. All Louis L'Amour will bill at a base 52% discount (beginning on January 2nd, 2008) and will also qualify for additional incentives under Section I.
- b. A mass merchandise distributor may earn 15 cents per participating unit ordered from the following programs: 1) Five Star Feature; 2) Pure Gold; 3) Health & Wellness. For information on eligible titles within these categories, please speak with your Random House sales representative. The qualifying orders are for planogram and major author distributions. Titles that are value priced are not eligible for this incremental incentive. It should be noted that some titles may only be eligible for designated periods of time while others may qualify for the entire year. To participate in the Backlist incentive plan, a customer must distribute at least 50 % of their business to the mass merchandise market (as specified in the business blend affidavit). Random House may add to or amend this list at any time. This backlist portion will also qualify for payments under Section I.

The following conditions can affect the incentive payment:

- Random House reserves the right to not pay incentive on its business in accounts where in-store service is not provided.
- For each late monthly payment to RH, there will be a 1/12 deduction in the incentive pay-out. No incentive deductions can be taken at any time.

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RANDOM HOUSE, INC.

2012 ADULT FREEDOM INCENTIVE PLAN FOR MASS MERCHANDISE DISTRIBUTORS

RANDOM HOUSE DISTRIBUTOR ORDER DUE DATES FOR 2012

ON SALE

ORDER DUE DATE

12/27/11	10/05/11
01/31/12	11/02/11
02/28/12	12/07/11
03/27/12	01/06/12
04/24/12	02/08/12
05/29/12	03/07/12
06/26/12	04/04/12
07/31/12	05/09/12
08/28/12	06/06/12
09/25/12	07/06/12
10/30/12	08/08/12
11/27/12	09/05/12
12/26/12	10/10/12

RANDOM HOUSE, INC.
2012 ADULT FREEDOM INCENTIVE PLAN FOR MASS MERCHANDISE DISTRIBUTORS

Account Designation

Distributor Name: _____

Account #: _____

(please check one)

_____ 12 titles mandatory bestseller slotting & 24 wildcard bestseller slotting

OR

_____ Efficiency sliding scale

Submitted by: _____
Name

Date: _____

Signature

Please return to: Julia Neves (jneves@randomhouse.com or Fax: 212.782.9118)

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Internal Processing: Chris Zimpleman (czimpleman@randomhouse.com or Fax: 212.572.2595)