

Random House, Inc. Terms of Sale
eBooks for Library and Institutional Lending Wholesalers
January 1, 2011

Discount for Library and Institutional Lending Distribution of eBooks: Discounts listed are off the library digital list price as stated in U.S. currency ("LDLP"): 25% 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 eBook 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. Monthly sales statements shall conform to the standard specifications established by RH.

RH will bill Reseller based on quantities reported by the Reseller in its monthly sales report. Reseller will receive RH's invoice on or around the 15th day of the month according to the preferred billing method indicated by the Reseller, either by EDI feed, email or paper statement. Payments are due 15 days Net of RH's invoice date. Payments in the form of checks, money orders or electronic transfers shall be made in US currency.

Reseller will provide RH with access to real-time sales reporting systems which will allow RH to obtain RH eBook 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 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 eBooks, receive and process electronic orders for such eBooks from library accounts, and transmit eBooks, 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 eBooks 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 eBook, to replace, edit or modify the contents of any RH eBook, and to declare any RH eBook 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 eBooks, including the System's digital rights management system and the manner in which such eBooks 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.

Distribution

Reseller is authorized to sell copies of RH eBooks that are purchased from RH pursuant to these terms of sale. No rights under copyright are granted to the Reseller with respect to any eBooks offered for sale hereunder. To the extent Reseller is making copies of the eBooks 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 eBook, and advertisements may not be included in or as part of the transmission of such eBooks.

Reseller shall use commercially reasonable measures to insure that the methods used for transmitting RH eBooks 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 eBooks 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

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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 eBook to a CD or emailing it to another user. Resellers shall display to all customers a reasonably prominent on-screen notice that the eBooks 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 eBooks from Misappropriation and insure compliance with the user limitations set forth above. In the event that RH reasonably believes its eBooks are being Misappropriated as a result of Reseller's distribution of the eBooks 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 eBooks 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 eBooks 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 eBooks. 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 eBooks 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 eBooks 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 eBook files. Notwithstanding such termination of Reseller's distribution rights to any eBook, Reseller may continue to host and transmit copies of the eBooks previously purchased by its library and institutional lending customers.

Promotions

Reseller is authorized to provide in-person demonstrations of RH eBooks at conferences, trade shows and for prospective customers, and to preview up to 10 percent of any RH eBooks in such settings and to such prospective customers.