

Penguin Random House LLC reserves the right to change terms of sale and prices at any time.

**Penguin Random House
ORDERING INFORMATION:**

Customer Service: (800) 733 - 3000

Email: csorders@penguinrandomhouse.com

Fax: (800) 659 - 2436

Credit: (800) 726 - 0600

Mailing Address: Penguin Random House LLC

Distribution Center
400 Hahn Road
Westminster, MD 21157
Attn: Customer Service

Website: www.penguinrandomhouse.biz

It's quick, easy, and available 24/7. You can place an order, look up a title, check order status, place claims for shortages/damages, obtain a listing of the current managed titles, and retrieve an invoice. Register your account today to learn more.

ELIGIBLE TITLES: Note that these terms of sale are for Penguin Random House Publishers. Separate terms documents are available for Distribution Client Publishers.

FREIGHT: All formats will ship free freight on outgoing orders to established trade accounts. Initial shipments do not combine with reorders. Customers requesting expedited freight will be responsible for any additional charges.

SHIPMENT MINIMUM: \$200 retail value for reorders, \$100 retail value for initials. All publishers and formats will combine to meet the shipment minimum within each warehouse. Shipments that do not meet the minimum will not leave the warehouse and will backorder for up to 90 days, in order to combine with other orders. Once a combination of orders exceeds the minimum retail value, it will be shipped.

SHORTAGES/DAMAGES POLICY/CLAIMS: At time of order receipt it is the customer's responsibility to check for carton or pallet shortages or signs of damage. The Bill Of Lading will clearly indicate the number of cartons/pallets to be received. Penguin Random House will honor "subject to count" claims only if the bill of lading is signed, dated and all claims are reported to Penguin Random House Customer Service within 10 days of receipt of product. If a shortage/damage is discovered please call Customer Service. All claims by customer with respect to Penguin Random House product purchased by customer, including, without limitation, shortage, damage and all other claims, must be made in writing and received by Penguin Random House Customer Service within ten (10) days of customer's receipt of product.

CREDIT: Shipments will be made to all accounts in good credit standing, as determined by the Penguin Random House Credit Department. In addition, accounts must also be in good credit standing to participate in any promotional offers and to receive any incentive payments, rebates or allowances, including without limitation, cooperative advertising allowances.

PAYMENT TERMS: 90 days End of Month from invoice date. Payments, in the form of checks, money orders, or funds transfers, are due at the Penguin Random House bank by the last banking day of the month due (excludes Sat & Sun). In the event of non-payment, the account is responsible for any late fees, finance charges, collection fees and/or legal fees incurred.

CREDIT CARDS: Penguin Random House accepts Visa, Mastercard, Discover, American Express only at the time the order is placed.

VENDOR COMPLIANCE: Penguin Random House will not pay or accept vendor non-compliance chargebacks. All purchase orders are accepted and shipped subject to the terms and conditions of Penguin Random House's terms of sale.

CONFLICT WITH CUSTOMER TERMS: No modification or waiver of any of these Terms shall be enforceable, unless agreed to in writing by Penguin Random House. To the extent that any discrepancy exists between these Terms and those of any sales quotation, purchase order, or other document received from the customer, these Terms shall control.

Base Discounts: Unless indicated otherwise, all discounts are listed as returnable, off-invoice discounts. Large print titles follow the format discount. Some exceptions may apply to the discounts listed below. For discount confirmation, please refer to the discount codes that are provided in the ONIX metadata files, or contact Customer Service.

ADULT	
Hardcover (HC)	49%
Trade Paperback (TR)	50%
Mass Market (MM)*	44%/50%
CHILDREN'S / YOUNG READER'S	
Beginner Chapter, Board, C&A, Level Readers, Merrigold, Nickelodeon, Storybooks, Trade Paper, Unjacketed HC	55%
DK High Price: Board and Paperback	50%
DK Low Price: Board and Paperback	55%
Digest (except Leveled Readers)	50%
Eyewitness Video	60%
GLB	31%
Jacketed Hardcover (All DK Hardcover)	50%
Mass Market (MM)*	44%
Non-Traditional (DK)	50%
Non-Traditional (PG, RH-Novelty, Book & Audio)	55%
Step Ahead Series	60%
Sylvan Learning	55%
Wee Sing	60%
OTHER FORMATS, LINES (Alphabetical Listing)	
Alpha ²	52%
Audio (AU)	55%
Audio-BOT	25%
Audio-Living Language	55%
Bibles-CEV	55%
Bibles-Shaw Bible Study	52%/55%
Calendars	60%
CodeNotes	60%
Classics-Penguin	50%
Classics-MM (RH, Signet)	58%
Classics-Modern Library Paperback	55%
Prima Games	53%
Penguin Gear (NR)	50%
Postcards, Stationery & Journals	52%
Prentice Hall Prg Education Related Titles	52%
Princeton Review	52%
Signed Limited Editions	40%
Travel-Knopf City Map Guides	50%
Waterbrook, Multnomah	52%/55%
Webster's Reference Titles	55%
NET PRICED	
Beginner Book Games	Net Priced
Vintage Educational Paperbacks	Net Priced

Note: Level Readers includes DK Readers, Penguin Young Readers, Road to Reading (RTR), Road to Writing (RTW), Step Into Reading (SIR); Storybooks includes Little Golden Books, Little Golden Storybooks, Look-Look, Little Look-Look, 8x8, and Jellybeans; Beginners Chapter Books include all Stepping Stone and Berenstain Bear Chapter Books. ² Alpha Style product follows the format discount for HC or TR.

***MASS MARKET & DIGEST INCENTIVES:** Base discount is 44%, incremental points can be earned through the following off-invoice discounts and incentive program:

- 1) Carton Quantity (MM): (Off-invoice discount)+4%
- 2) Distributor Service Criteria (MM-for performing specified functional services. Off-invoice discount)+2%
- 3) Incentives (MM & DG): See Appendix A (Distributor Efficiency) & Appendix B (Freedom) for incentive program details+4%/5%

BUSINESS BLENDS: Business Blend percentages are required by all distributors to represent their business breakdown among sales to bookstores, mass merchandisers, and schools/libraries. This business blend is used to calculate incentives earned (see grids on Appendix A&B). There will be an audit and update of the business blends between bookstore and non-bookstore business once a year in October to be applied to the following fiscal year.

DISTRIBUTOR DEFINITION: A Penguin Random House Distributor warehouses, sells, distributes, and effectively merchandises books to retailers; carries ALL Penguin Random House titles appropriate for their market as determined by Penguin Random House; distributes titles to meet on-sale dates and designated on-sale date periods as determined by Penguin Random House; honors all chain authorizations (where applicable); promotes titles in all sell pieces (catalogues, brochures, direct mail, phone, etc.); guarantees at least 30 days on sale for titles; if teacher's guides, bibliographies, etc. are made available to your customers, you must carry and distribute all such materials offered by Penguin Random House; must not charge for line listings/microfiche.

Any books transferred or sold to an affiliated (under any form of common ownership or control) retailer will be subject to RDC terms.

RETURN POLICY: A valid return claim covers Penguin Random House product, which is eligible for return and has been shipped to the designated Penguin Random House facility. Valid returns will only be processed as a credit against an account's current balance and /or can be used for future purchases. Penguin Random House does not issue cash for returns. Penguin Random House reserves the right to review, destroy and disallow credit for returns in excess of what was purchased directly. An estimated or anticipated bulk returns claim is an invalid deduction and will not be allowed. With the exception of accounts with an RDC, returns are credited at the standard base discount at which the product was purchased. Returns from accounts with an RDC will be credited at the applicable RDC discount, and adjusted each quarter to the account's actual year-to-date average base / RDC discount. All RDC customer claims & deductions must be made at the RDC discount.

Titles that are active and bought on a returnable basis can be returned at any time.

Unless otherwise specified, full copy returns are required on all hardcover, trade paper, and audio titles. Component titles of box set (BX) format titles may not be returned individually, and credit will only be issued for the return of complete BX sets. All labels and stickers appearing on cover four (back cover) that contain bar coding or obstruct the pre-printed bar code located on cover four (back cover) must be completely removed prior to return.

Unless specifically designated as a full copy return, we require stripped front cover returns on all MM books, Yearling, Skylark, dated Princeton Review, dated Fodor's Guides and Fodor's Pocket Guides. Dated materials can be stripped only after the new edition has been shipped. Calendars are strippable only after March 31st of the current year. In submitting returns for credit, the retailer agrees that the bodies of books of which covers only are returned, will be shredded or destroyed in such a manner as to make them unusable after covers are returned for credit.

Accounts qualifying for returnable terms, stripped cover and full copy returns must be shipped separately to:

Distribution Center
Penguin Random House
Attn: Returns Department
1019 N State Road 47
Crawfordsville, IN 47933

Retailers are responsible for: Returns until signed for by Penguin Random House; Return freight on all products or covers; insurance arrangements & payments - For customer's protection, particularly on MM covers, returns should be sent insured (e.g. insured parcel post).

CARTON QUANTITY REQUIREMENT: HC/TR books ordered in less than carton quantities are subject to a 2% quarterly chargeback. (Accounts will be notified prior to implementation.)

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Return authorization in advance is not required, however, all returns should be made with a claim copy or packing slip enclosed in each carton identifying the quantity by ISBN or description and cover price of what is being returned, your name, address, account #, claim # (if any) and # of cartons. Please limit each carton of returns to 35lbs. Accounts will be given 180 days after notification that a title has been declared Out of Print or Remaindered to return it for credit. Penguin Random House will return, at the customer's expense, and no credit will be issued for any titles received that are either not eligible for credit not Penguin Random House publications (NOP) or have labels or stickers applied to cover four (back cover) that either contain bar coding or obstruct any pre-printed bar codes. If the customer refuses and/or returns the product back to Penguin Random House, the product will be destroyed

For more information regarding packaging and shipping of returns please contact Customer Service or visit www.penguinrandomhouse.biz/booksellers/notices.

LIMITATION ON WARRANTIES: Except as provided in any warranty expressly provided by Penguin Random House, Penguin Random House does not make or give, and expressly disclaims, all other warranties, representations, guarantees, or other conditions of any kind, express or implied, including warranties as to performance, merchantability, or fitness for a particular purpose, and warranties arising by statute or otherwise, or from a course of dealing or usage of trade.

LIMITATION OF DAMAGES AND OTHER LIABILITIES: The aggregate cumulative liability of Penguin Random House, and its affiliates under common control with it, directors, officers, employees, representatives and agents, for all claims by customer, notwithstanding the form in which any such action is brought, whether in contract, tort (including negligence), or otherwise, shall be limited in the aggregate to the total amounts paid by the customer to Penguin Random House under the applicable invoice. Penguin Random House shall not be liable for any consequential, incidental, indirect, special, exemplary or punitive damages, third party claims, loss of revenues, loss of profits or loss of savings even if advised of the possibility of such damages and regardless of the form in which any action is brought, whether in contract, tort (including negligence), or otherwise.

STATUTE OF LIMITATIONS: Any action for any breach of contract by Penguin Random House or other claim by Customer against Penguin Random House must be commenced by customer within one (1) year after delivery of product to customer.

GOVERNING LAW: These Terms of Sale shall be governed and construed in accordance with the laws of the State of New York, and any action, claim, litigation or dispute resolution process brought to enforce these Terms of Sale shall be commenced and adjudicated in the state or federal courts in New York County, New York.

NO ASSIGNMENT: The customer may not assign its rights or delegate its duties or obligations under these Terms of Sale without the prior written consent of Penguin Random House. Any attempt to make such an assignment or delegation without written consent will be void.

LIMITATION ON SETOFF BY CUSTOMER: All amounts owing by the customer to Penguin Random House shall be due without any setoff, counterclaim or recoupment or other similar rights the customer may have against Penguin Random House.

ATTORNEYS' FEES: Should customer fail to make timely payment of any amount due to Penguin Random House and legal action becomes necessary to collect such amount, Penguin Random House shall be entitled to recover from customer all costs incurred in connection with such action, including Penguin Random House's attorneys' fees and expenses.