

**Penguin Random House LLC Terms of Sale**  
U.S./Canadian Specialty Retailers of Digital Audiobooks  
Effective 2020

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**Discount for Trade Distribution of Digital Audiobooks:**

Discounts listed are off the Penguin Random House (“PRH”) digital suggested retail price as stated in U.S. currency (“DSRP”): 20% on all copies sold. All sales are non-returnable.

**Definition: A Specialty Retailer:**

- Offers for sale less than 90% of all available retail PRH Digital Audiobooks at any given time (front and back lists).

**Operational Requirements:**

Retailer will comply with all current PRH Operational Requirements as defined on page 2.

**Credit**

Sales will be made to all accounts in good standing, as determined by the PRH Credit department.

**Sales Statements and Payments**

Sales statements are due on monthly sales on or before the 10<sup>th</sup> day of each calendar month for sales occurring in the preceding month. Monthly sales statements shall conform to the standard specifications established by PRH or an alternative reporting format that has been approved by PRH.

PRH will issue an invoice on or around the 15<sup>th</sup> of the month based on quantities reported by the Retailer in its monthly sales statement. Payments are due 15 days Net of PRH’s invoice date. Payments in the form of checks, money orders or electronic transfers shall be made in U.S. currency.

**Order Fulfillment System**

Retailer, either directly or through a third party, will maintain an electronic order-fulfillment system acceptable to PRH (“the System”). The System will store PRH Digital Audiobooks, receive and process electronic orders for such Digital Audiobooks from retail accounts and/or end-users, and transmit Digital Audiobooks 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 PRH Digital Audiobooks are secure from theft, manipulation, unauthorized copying or transmission, infringement and other misappropriation (“Misappropriation”).

PRH reserves the right at any time to change the DSRP, to replace, edit or modify the audio master, and to declare any PRH Digital Audiobook no longer for sale. Retailer must make the adjustments set forth in the preceding sentence immediately upon receipt of PRH’s instructions, and upon request, Retailer shall confirm in writing that such adjustments have been made.

Upon request, Retailer will furnish PRH with a written statement, signed by an officer of Retailer, that specifically describes the System used by Retailer for the sale of PRH Digital Audiobooks, including the System’s data protection system and the manner in which such Digital Audiobooks are stored and distributed. Thereafter, Retailer shall notify PRH of any material changes made to the System, and PRH shall have the right

to approve any new Systems, any changes to the existing system or to reevaluate existing Systems at any time.

PRH acknowledges that Retailer may use one or more third parties to assist with sales and fulfillment of Digital Audiobooks. Retailer shall be responsible for ensuring that its fulfillment contractor(s) comply with the provisions of these Terms of Sale. Retailer agrees to be responsible for any breach of the Terms of Sale by its fulfillment contractor(s).

**Distribution**

Retailer is authorized to resell copies of PRH Digital Audiobooks that are purchased from PRH pursuant to these terms of sale. No rights under copyright are granted to the Retailer with respect to the Digital Audiobooks sold hereunder. To the extent Retailer is making copies of the Digital Audiobooks as part of the electronic order fulfillment and transmission functions of the System, Retailer will be deemed to be making such copies as a vendor and service provider on behalf of PRH. Retailer may not abridge, expand, edit or otherwise modify or alter the contents of the PRH Digital Audiobooks, and advertisements may not be included in or as part of the transmission of such Digital Audiobooks. Retailer shall insure that the methods used for transmitting PRH Digital Audiobooks are free from defects that may harm the end-user’s computer, hardware, software or data. Retailers shall display to all customers a reasonably prominent on-screen notice that the Digital Audiobooks are protected by copyright and provide a proper warning against Misappropriation.

**Books of Account**

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

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

**Cease Publication**

PRH may at any time in its sole discretion declare any or all of PRH’s Digital Audiobooks no longer for sale by a Retailer, and upon receipt of notice of such action, the Retailer will promptly remove such Digital Audiobook files from its System, and provide PRH, upon request, with a certification that the digital file for the terminated Digital Audiobook has been destroyed.

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**Penguin Random House Digital Audiobooks: Specialty Retailer Operational Requirements**

	<b>Initial Requirements</b>	<b>Sustained Requirements</b>
<b>FINANCE</b>		
Sales reporting	Must be able to provide accurate, consistent, and timely monthly sales reports in accordance with Penguin Random House's specifications.	
Credit	Must apply for account and satisfy Penguin Random House's corporate credit requirements	Must pay in timely fashion according to credit requirements; must maintain complete and accurate books of account covering all purchase records involving Penguin Random House Digital Audiobooks; must allow auditor at any time.
<b>CONTENT</b>		
Content management	Must control on-sale dates, manage embargoes without early release, and adhere to territory restrictions.	
Art and audio samples	Must be able to retrieve cover images from Penguin Random House's Smart Archive; all audio samples used must be provided by Penguin Random House.	
<b>SECURITY</b>		
File security	Must maintain files in a secure environment that is consistent with current industry standards for storage of digital content.	Must furnish written statement that describes security system upon request.
<b>CUSTOMER SERVICE/TRANSACTIONS</b>		
Tech Support	Must provide satisfactory customer service to its end-consumers relative to the download and transaction process.	
<b>METADATA</b>		
Title Information	Must be able to accept Penguin Random House-supplied metadata as primary source of title information.	Must have accurate title information and metadata on website.