



Macmillan/MPS
Mass Market Affidavit Return Program
November 2009

Macmillan/MPS will authorize wholesale and retail customers who purchase strippable mass market paperback books directly from us on a returnable basis to participate in our mass market affidavit returns program provided the customer complies with each of the requirements below.

- Prior to commencement of participation, Macmillan/MPS must review (either in person and/or based on a written description of the customer's procedures, as Macmillan/MPS elects) and approve the customer's returns processing procedures and controls for the scanning and secure destruction of the books to be credited. To be eligible a customer must be in good credit standing and in compliance with Macmillan/MPS's payment terms.
 - To initiate the approval process, the customer should submit to Macmillan/MPS a full written description of its returns processing procedures and the controls it has in place to assure that copies credited are not re-sold or credited more than once. These procedures and controls should include a code of conduct warning the customer's employees and agents of the consequences of a failure to abide by the procedures.
 - Before approving the customer's procedures and controls Macmillan/MPS must be satisfied that the customer has demonstrated the ability to implement and maintain those controls successfully.
 - If a wholesale customer wishes to participate in our affidavit returns program based on returns processing and destruction carried out by its retail customers, the retailers' procedures and controls must be approved in writing by Macmillan/MPS as provided above. Wholesalers servicing retailers may not grant such approval to their retail customers. (Retailers who purchase mass market books from wholesale customers and whose processes are approved by Macmillan/MPS as provided in this paragraph are referred to as "Indirect Retailers.")
 - Only copies destroyed after Macmillan/MPS has issued its written approval of the customer's or Indirect Retailer's procedures and controls will be eligible for credit under the program.

- Books and/or covers processed for affidavit returns must be destroyed by the customer (or Indirect Retailer) on its premises or at a designated consolidation location using equipment capable of scanning each book and/or cover individually, counting and destroying the material in a single, continuous, uninterrupted process or by another method Macmillan/MPS deems equally secure. The book and/or cover must be processed through a single scan system that (1) generates the affidavit return, (2) decrements inventory, and (3) if the scanning is carried out by a wholesaler, generates the credit to its retail customer.
 - o For processing of stripped covers rather than the entire book, the method utilized should render the bar codes on the inside of the front cover (cover 2) unreadable by any bar code scanner which might result in duplicate processing. The coverless books (book blocks) should be destroyed in a secure fashion rendering the bar code on cover 4 unreadable, and which prevents reentry of the book block into the stream of commerce. Disposal of the destroyed book blocks and covers should be done in a recyclable manner.
 - o For whole copy returns, the book must be rendered unsalable (cut, pulped or otherwise destroyed) and the bar code on the inside of the front cover and the back cover rendered unreadable by any bar code scanner. Customers may not use the service of a third party to destroy the covers or books unless such operation is within the customer's own facility and the use of the third party is approved by Macmillan/MPS.
- Customers must have an EDI relationship with Macmillan/MPS and be able to accept our Onix feeds to participate in the affidavit returns program. Electronic transmission of affidavit returns must occur with the customer's regular remittances. The customer must pay any transmission expenses. Customers scanning books for return must produce and submit with each affidavit return an electronic record, using industry standard EDI formats (EDI 180 or EDI 812), documenting the ISBN or EAN, title, number of copies (consolidated into one line item), retail price for each return submitted, and return reference chargeback identifier. In addition the customer must provide an inventory roll-forward report for each title for which affidavit returns are being made showing beginning inventory, receipts, shipments/sales, returns, affidavit return claims, physical book returns, adjustments and ending inventory. The customer's remittance must be reconcilable with the affidavit returns submitted on a remittance by remittance basis.
- Each affidavit return submitted constitutes a representation by the customer to Macmillan/MPS with respect to all copies claimed as

destroyed that customer or its Indirect Retailer, as applicable, followed the returns-processing procedures approved by Macmillan/MPS, and that the copies were in fact destroyed, and that customer is entitled to the credit claimed.

- Participating customers and Indirect Retailers must maintain auditable records to support their affidavit returns, including: reconciliation of purchases, shipments, and returns; access to internal adjustment/reconciliation files: and, if appropriate, access to customer settlement files. Any discrepancy noted by the customer should be communicated immediately to Macmillan/MPS.
- Customer will provide Macmillan/MPS with online or electronic access to sales and returns reporting (without any additional charge to Macmillan/MPS) showing shipments and returns by title, inventory on hand in the customer's warehouse and, if available, the total inventory at the retailers they service and, if available, by each retailer's individual locations. Whenever requested, customers will provide Macmillan/MPS sales data detailing distribution and returns by title, by retail account or by store.
- Macmillan/MPS reserves the right to conduct unannounced, as well as scheduled, on-site audits of a customer's or Indirect Retailer's return and destruction process and records.
- Two officers of the participating customer must certify annually, in writing, that all affidavits submitted by the customer during the previous year were correct and that all of the books for which credit was sought were in fact physically destroyed. Each annual certification must be accompanied by an annual report documenting and verifying reconciliations with the participating customer's own customers and locations, as applicable.
- Although destruction may be carried out by Indirect Retailers, all affidavits and certifications must come from the wholesaler and credits will be issued only to the customer.
- Macmillan/MPS reserves the right at any time to exclude mint bindery-carton-stock returns of any particular title(s) from the program and require that they be physically returned at the customer's expense.
- In consideration for Macmillan/MPS's agreement to accept affidavit returns, each participating customer must agree to the following:
 - Customer will pay a fee of 0.5% of the amount of each affidavit return to offset the cost of monitoring, reconciling and auditing participating customers and Indirect Retailers. The fee should be

accounted for by the customer with each affidavit return submitted.

- Customer will not take any deductions for anticipated returns.
 - Customer will not take deductions through the affidavit return program other than those specifically based on the affidavits submitted.
 - Customer will begin selling all new titles, regardless of format, no earlier than the designated on-sale dates.
 - Customer will resolve all proof-of-delivery issues, for all shipments regardless of format within two months of Macmillan/MPS's submission of documentation of delivery.
 - Customer will repay all NOP, discount and price discrepancies for all product, regardless of format, promptly upon Macmillan/MPS's providing documentation thereof.
 - All claims for damaged mass market books must be made through the affidavit return program. Customer will not make concealed shortage claims for any mass market titles.
 - Customer confirms that inventory shrinkage (whether due to theft or otherwise) is entirely its responsibility and, accordingly, customer will not submit any claims for credit for copies not destroyed under the affidavit return program.
 - Wholesale customers will work with Macmillan/MPS to refine customer's distribution to achieve greater sell-through efficiency
- Macmillan/MPS will assess each customer's and Indirect Retailer's compliance with the program. Macmillan/MPS reserves the right to terminate any customer from the program if in Macmillan/MPS's judgment that customer is not substantially compliant with the above requirements, does not make payments within Macmillan/MPS's payment terms, or ceases to be in good credit standing and reserves the right to terminate any Indirect Retailer from the program if in Macmillan/MPS's judgment that retailer's procedures and controls are not substantially compliant with the above requirements.
 - Customer must notify Macmillan/MPS of any change in the returns-processing procedures and controls approved by Macmillan/MPS and may not implement the change until it has been approved by Macmillan/MPS.

- Customer must promptly notify Macmillan/MPS of any change in its ownership or, for Indirect Retailers, a change in wholesale distributor. Macmillan/MPS reserves the right to suspend the customer's participation in the program following a change of ownership or distribution until it can re-certify the customer's procedures and controls.
- If a participant purchases another company or account, the purchased company or account will not be eligible to participate in the program until its procedures and controls have been approved as described above.
- Macmillan/MPS's approval of each customer's and its Indirect Retailers' return-processing procedures and controls expires as of the end of each calendar year but will be deemed automatically renewed (subject to Macmillan/MPS's right to terminate participation as provided herein) if customer submits the annual officer's certification and accompanying annual report described above by January 31 of the following calendar year.

Customer's right to credit for returns made under the affidavit-returns program is subject to Macmillan/MPS's returns policy for mass market paperback books. As provided in Macmillan/MPS's returns policy, returns are for credit only.

Macmillan/MPS reserves the right to terminate the program at any time. Macmillan/MPS may change the terms of the program at any time by notifying the Customer and by posting the revised terms on its website. The new terms will be deemed applicable to all copies purchased by customer after they have been posted.

Accounts interested in becoming certified for affidavit returns processing should contact Michael Shareck, SVP Operations, MPS at mshareck@mpsvirginia.com.