



national book network

May 7, 2007

Dear NBN Publisher:

I am writing to introduce NBN's hurt book reselling program – a new service that offers you a managed solution to realize value from your hurt books.

NBN remains firmly committed to accepting as few damaged books as possible but no matter how hard we try, there are going to be some hurts. Industry practice dictates, and our customers require, that NBN accept what are known as “shelf worn” books. We are constantly monitoring returns for more serious damage and pushing back when an account gets out of line. Just a few weeks ago, for example, we had a significant breakthrough with one of the national chains. You can count on us to continue to push back on your behalf. While we cannot eliminate the return of damaged books, we can now offer an alternative to pulping that will maximize their value for you.

As you know, for the last three years we have been pulping your hurts since we found it preferable to eliminate these books rather than risk the books entering into the massive underground market of Internet retailers. When we made our decision to destroy hurts three years ago, the average price for hurts was in the \$0.25 to \$0.50 range. Now, with our new program and the growing demand for hurt books, we expect to return an average of around \$1.00 net to you. Some books may net more and some less depending on the title, the market and condition of the book.

Today we are pleased to offer what we are calling the “NBN Hurts” program – a new approach to selling hurts that allows you to manage your risk while maximizing your value. This service offers complete transparency and controls that were lacking earlier, along with the accountability you have become accustomed to with NBN.

The key features of our “NBN Hurts” service are:

- Revenue:** Average revenue of one dollar a book to you after all our costs. This is not a profit center for NBN.
- Transparency:** Monthly sales report by title showing all units sold and the proceeds due from the sale.
- Control:** Complete control of your titles within this channel by offering on-demand capability to add or withdraw titles at anytime from this market.
- Accountability:** Monthly stock on hand report showing all stock being held and offered for sale.
- Cash Flow:** NBN will pay you monthly for all sales of hurt books within 45 days of the close of the month. Example: March sales would be paid on May 15th.

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NBN has established a partnership with an experienced Internet reseller to provide this service. This reseller's leading-edge technology platform allows for fine, detailed control of every aspect of the sale process including the capability to remove titles from sale upon our request. The technology platform incorporates a proprietary price-optimization engine that maintains real-time visibility of competing sellers and prices on all its sales channels. The optimal sales price is derived from several factors including prevailing market price, popularity, availability and quality of a title. Price floors are fixed on all titles. The entire process is automated with prices fluctuating as market conditions dictate. The sales revenue is maximized by selecting the optimal price, balancing the earnings per title and the sales volume. Strict audit and reporting requirements ensure that NBN has full visibility on all the books from the time of receipt at our partner's facility through to the final sale or disposal.

We know that some of you may prefer not to resell hurts and wish to continue to have NBN to shred them. We have no preference whatsoever. However, we believe we have found a solution that takes the risk out of selling into this channel by including the ability to opt-out at any time should you decide to. We simply felt that it was time to revisit this issue and give our clients the opportunity to generate a small stream of revenue rather than no revenue at all.

In addition to hurt books, this program can also be used as an alternative to remainder dealers to sell your slow moving and out of print titles. Getting slow movers out can help reduce your storage costs.

We established a pilot program using hurts from our own publishing imprints and it has been very successful. The program is already in place and active if you are interested in starting right away. , We would be happy to begin as soon as we hear from you. Simply sign the bottom of this letter and return it by fax to either Tom Hunt or Jeff Harris in the NBN Publisher Accounting Department. Our fax is (717) 794-3804.

Please let us know your views. If you have questions or concerns, you may contact me directly at jharris@nbnbooks.com or at (800) 462-6420, ext. 3807.

With best regards,



Jeff Harris
Vice-President Credit & Financial Analysis

On behalf of _____ (publisher name), I hereby authorize NBN to utilize the service described above to resell copies of our hurt books. We elect to:

- Allow NBN and Reseller to list all of our titles
- Provide NBN with a list of specific titles that are eligible to list

Authorized signature: _____
Title: _____
Date: _____