



2019 Affidavit Returns Policy for Mass Market Paperback Books

HBG is committed to the integrity and efficiency of processes and procedures in regards to returns. U.S. wholesaler and distributor accounts purchasing mass-market paperback books from HBG for shipment into the U.S. (excluding territories and possessions) and Canada (collectively, "Accounts") may apply for the privilege of reporting mass market returns to HBG for credit by means of an Affidavit, on the following conditions:

1. Account must be in good credit standing and in compliance with HBG's terms of sale.
2. Account must maintain complete, accurate and auditable records to support all affidavit returns claims, including, but not limited to:
 - a. Maintenance of a title master database populated electronically from identifiers supplied by HBG.
 - b. A monthly and year-to-date inventory roll-forward report (form attached) that identifies each ISBN number, all transactions by category including, but not limited to, beginning inventory, shipments to customers, purchases, returns from customers, affidavit returns claims, physical returns, and other adjustments during the month (which includes inventory shrinkage, a responsibility solely of Account).
 - c. A weekly affidavit returns data report sent to HBG in a mutually agreeable electronic format identifying ISBN, quantity, a match to Account's distribution locations, and any other data HBG may reasonably request.
3. Account must have effective destruction process in effect that includes, but is not limited to:
 - a. Utilization of on-site destruction equipment that shreds, cuts, rips, or otherwise totally destroys books so that they cannot be resold or read and barcode inside the front cover cannot be scanned or returned.
 - b. Cover-stripping and destruction equipment must operate as a single, continuous, uninterrupted process, such that the cover cannot be removed from the equipment after it has been scanned and counted.
 - c. The cover-stripping and destruction equipment must be on-site in a segregated area of premises owned or controlled by Account, with access limited to authorized employees and not accessible by outsiders.
4. Account must have stringent security measures and controls in effect for all destruction procedures, and provide detailed written description to HBG, including but not limited to:
 - a. Account must be able to track access to area where cover stripping and book destruction occurs;
 - b. Account must require written agreement of all employees to strict adherence to security procedures, with serious employment consequences for failure by an employee to abide by those procedures; and
 - c. Account must send prompt notification to HBG of any breach in security, and any theft, suspected theft, inventory shrinkage or material deviations from Account's procedures.
5. HBG must have the right to conduct unannounced on-site inspections or audits of Account's returns and destruction processes.
6. An officer of Account must send HBG written certification annually as to the accuracy of Account's affidavit returns claims in compliance with the terms and conditions of this Policy.
7. Account must send the affidavit returns data to HBG weekly in a mutually agreeable electronic format with all required fields of information (ISBN, title, cover price, quantity, discount, credit claimed and returning customer name and location).
8. NOP's to HBG's product master file and shipping records will not be allowed or credited, and will not be disputed by Account.
9. HBG may designate certain titles ineligible for affidavit processing, and returns of such titles are required to be sent in full carton mint condition.
10. Any violation of the terms of this Policy can result in immediate termination of the affidavit returns privilege and disqualify Account from re-applying for the privilege for a period of 12 months, as well as any other measures HBG deems appropriate.
11. **This Policy applies only to purchases of mass market paperback books purchased under HBG's returnable terms of sale for US Distributors**
12. HBG reserves the right to alter this Policy at any time without notice, or to withdraw affidavit privileges for any reason (other than violation by of this Policy) on 60 days notice without adverse action by the Account.

(2/14/19)