



## A SPECIAL MESSAGE FROM HYDRA, ALIBI, LOVESWEPT, AND FLIRT

March 12, 2013

In response to recent constructive discussions with writers' groups, authors, and agents, we are making adjustments to our proposed terms for authors with Random House's new digital imprints, Hydra, Alibi, Loveswept, and Flirt. Prospective authors will have a choice of two models under which to publish: a profit share or an advance plus royalty.

- Under the profit share model, there is no advance offered. Hydra, Alibi, Loveswept, or Flirt and the author will split profits 50-50 from the first copy sold. The term "profit" will be defined as net sales revenue minus deductions as follows: For print editions, deductions will include actual costs directly attributable to production and shipping of the book; for digital editions, Hydra, Alibi, Loveswept, or Flirt will cover the cost of production. For both print and digital editions, Hydra, Alibi, Loveswept, or Flirt will cover all marketing costs connected with general, category- or imprint-wide marketing programs. Hydra, Alibi, Loveswept, or Flirt will also cover costs of marketing activities undertaken specifically on behalf of the book up to \$10,000. Title-specific marketing costs above \$10,000 will be proposed in advance to the author. If the author agrees, the incremental costs of such title-specific marketing activities over \$10,000 will be deducted from sales revenue before profits are split. Cash payments owed to authors will be made quarterly.
- Under the advance plus royalty model, authors are offered a more traditional publishing arrangement, with Random House's standard eBook royalty of 25 percent of net receipts. These authors will be paid an agreed-upon advance against royalties, and Hydra, Alibi, Loveswept, or Flirt will cover production, shipping, and marketing for all formats at 100 percent of cost.

Under either model:

- Hydra, Alibi, Loveswept, and Flirt acquire rights to every book for the term of copyright, subject to an "out-of-print" clause, which provides for the author to request reversion of his or her rights three years after publication if the title fails to sell 300 copies in the 12 months immediately preceding the request.
- Hydra, Alibi, Loveswept, and Flirt seek to acquire rights throughout the world and in all languages. This expands the author's opportunities and earnings potential. Random House has publishing offices all over the world and has countless relationships with other foreign publishers. Earnings from subsidiary rights are split between the imprint and the author subject to the business model the author chooses. If we see opportunities with select manuscripts for performance or transformative digital editions (such as video games), we will seek to acquire additional rights, subject to negotiation with the author.
- Each title will be given an individual marketing plan and be supported by the best-in-class services that Random House normally provides throughout the publishing process: from dedicated editorial, cover design, copy editing, and production expertise, to publicity, digital marketing and social media tools, trade sales, academic and library sales, piracy protection, negotiating and selling of subsidiary rights, as well as access to merchandising programs. Together, we deliver the best books to the widest possible readership, thus giving authors maximum earning potential.

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