



QUEBECOR WORLD BOOK SERVICES

TERMS OF AGREEMENT

1. *Customer's Property.* Printer shall not be liable for any loss, deterioration or damage to Customer's property unless solely caused by Printer's negligence. Customer shall carry insurance adequate to cover any loss on all materials furnished by it (including the value of the work performed in creating such materials) and on work completed which has been invoiced but not shipped. To the extent Customer carries such insurance, it hereby waives any rights of subrogation its insurer may have.

2. *Negatives and Plates.* Unless otherwise stated, final plate-making negatives and positives become the property of Customer upon payment of invoices. All plates made by Printer for Customer are Printer's property.

3. *Prices.* Prices quoted are based on the present gross cost of material, utilities, fuel and current labor rates. If there are any changes in these costs or rates that affect the work prior to its completion, such changes will be fairly reflected in Printer's charges for that portion of the work so affected. Prices quoted do not include any personal property, sales, use or other taxes now in effect or hereafter imposed on this transaction, all such taxes shall be the responsibility of Customer. All discounts afforded Printer from suppliers of Printer shall be and remain the property of Printer.

4. *Terms of Payment.* Unless otherwise agreed to in writing, Printer shall bill Customer as follows: (i) Prepress work, Paper, Presswork and Binding upon completion, and (ii) Storage - monthly in arrears. Invoices for shipping, transportation, paper and mailing cost shall be billed as incurred and are due and payable upon receipt of invoice. All other invoices are due and payable net thirty days from date of invoice if Customer's credit is approved; otherwise terms are cash in advance.

5. *Liquidated Damages for Late Payment.* Time is of the essence. Printer and Customer agree that the failure to pay when due the amounts specified herein shall constitute a material breach of this contract and that it would be impractical and uneconomical to attempt to determine Printer's damages in any legal proceeding. Both parties further agree that the fixing of Printer's damages as provided herein is the most reasonable means to minimize costs and maintain an ongoing commercial relationship, and that the liquidated damages specified below represent a reasonable estimate of Printer's loss by reason of breach by Customer. Customer shall therefore pay Printer on demand as liquidated damages upon such breach (i) an amount equal to 1 1/2 percent per month of the amount of the overdue payment, prorated on a daily basis for each day that payment is overdue, or (ii) the maximum amount that may be charged under applicable law, whichever is less. Printer's right to payment of such damages shall not relieve Customer of its obligation to pay the overdue amounts stated in the invoice when due, or be deemed a waiver of forbearance by Printer of its right to such payment.

6. *Lien.* As security for payment of any sum due or to become due, Printer has the right to retain possession of, if necessary, and shall have a lien on, all of Customer's property in Printer's possession, and all work-in-process and undelivered work.

7. *Warranty and Limitation of Liability.* Printer will perform the work in a good and workmanlike manner consistent with the materials and processes used. THERE ARE NO OTHER WARRANTIES, INCLUDING ANY OTHER WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE. Printer's liability for breach of this warranty is limited, at its option, (i) to repairing or replacing the defective articles at no cost to Customer or (ii) crediting Customer for its "variable unit cost" paid to Printer for the defective articles. "Variable unit cost" means the price per book charged to Customer for press time and materials but doesn't include make ready or other prepress operations. In no event will Printer be liable for any indirect, special, consequential, punitive or exemplary damages for any manner arising under this contract or for negligence. All claims by Customer under this contract must be made in writing within 30 days after Printer ships the work. Customer's failure to so notify Printer shall constitute a waiver of any such claims.

8. *Production Schedules.* Unless otherwise stated, production schedules will be established and submitted for Customer's approval following Printer's acceptance of Customer's order. Such schedule shall be adhered to by both parties. However, neither party shall incur any liability for delay or loss due to causes beyond the control of Customer or Printer, including without limitation, strikes, fires, labor slowdowns, equipment breakdowns, material shortages and acts of God. In such case, the affected party shall give as much advance notice to the other of the occurrence as possible and Printer shall be entitled to perform such portion of the work as it is capable of performing, or if the work is placed elsewhere, shall be entitled to resume the work as promptly as practicable.

9. *Delivery; Title.* Title, possession, and risk of loss shall pass to Customer upon tender for delivery at the f.o.b. stated in the quotation.

10. *Cost of Paper, Storage.* Customer acknowledges that under trade custom, the quantity of paper received by Printer for the work may exceed the quantity ordered from the paper mill. Customer agrees to pay Printer for the total gross pounds received. Unless otherwise stated in the quotation, prices quoted contain no charge for storage of finished articles, paper or other materials furnished by Customer. Material stored more than 30 days after completion of the work are subject to Printer's standard storage charges.

11. *Overruns and Underruns.* Printer will endeavor to print the quantities ordered by Customer but variations in quantity of 10% more or less will be acceptable delivery and the price will be adjusted pro rata, exclusive of make readies.

12. *Subject Matter.* Printer reserves the right to refuse to print or bind any material it believes is obscene, unlawful or violates anyone's rights. Notwithstanding Printer's failure to exercise such right, Customer shall indemnify and hold Printer harmless from any loss, damages or expense (including attorneys' fees) arising out of any claim that any of the work is libelous, obscene, infringes upon any common law or statutory copyright or otherwise violates the rights of any person and, in that regard, Customer shall provide Printer with a full and competent defense by counsel selected and paid solely by Customer.

13. *Miscellaneous.* This proposal and contract shall be governed and construed in all respects by the laws of the state where the finished article is produced and, subject to Paragraph 14, the courts of such state shall have exclusive jurisdiction over all actions arising out of this Agreement. Customer agrees that process may be served upon it in such state by Registered Mail at Customer's address stated on the front page of this Agreement. If Printer engages an attorney to enforce its rights under this contract, it shall be entitled to reimbursement of its attorneys' fees and costs incurred in connection therewith. If there is a conflict between the printed and typed portion of this proposal and contract, the typed portion shall prevail to the extent of such conflict.

14. *Arbitration.* In the event either party claims a breach of any term of this agreement, such claim shall be determined, at Printer's option, solely pursuant to a binding arbitration proceeding conducted under the rules then prevailing of the American Arbitration Association in the county where the finished article is produced, and the judgment or award of the arbitrators shall be binding and conclusive upon the parties and may be entered in any court of competent jurisdiction.

15. This Agreement shall be construed pursuant to the Uniform Commercial Code of the state in which the finished goods are produced. Subject to the provisions of Paragraph 14, the courts of the state wherein the finished goods are produced shall have jurisdiction over all controversies arising out of and in connection with this Agreement. The parties consent that process may be served upon them in any action be by registered mail at their respective addresses stated in this Agreement within or without the state in which the goods are finished. Nothing shall be construed herein as prohibiting an action from being commenced in the Federal Court in the District in which the finished goods are produced.