



ONLINE CONTENT SAMPLING

e-BOOK DISTRIBUTION

SHORT PRINT RUN

PRINT ON DEMAND

September 4, 2008

Welcome to Constellation!

We are excited about both current and emerging opportunities in the digital environment and believe that digital technologies will significantly alter the book publishing, marketing, and distribution landscape in the years to come. At the same time, participation in these emerging digital channels can be expensive, time consuming, and complex, with relatively modest near-term returns on the investments required to participate.

With Constellation, our “one-stop” digital service, we believe that we can give you, the independent publisher, an unparalleled ability to participate as fully as you choose while minimizing your investment of time, money, and resources. This powerful technology- and vendor-agnostic service creates one central repository and service organization that can help you manage your titles through their life cycle, leveraging—where appropriate—online marketing and sampling, e-book distribution and sales, short print run (short print runs to stock), and true print on demand (print only to order).

In designing Constellation, our primary objective was to extend the reach of the independent publishing community into the digital landscape and vice versa and, in so doing, create a robust set of digital opportunities that would enable independent publishers to benefit from exposing their content to more readers and make more money.

We are enthusiastic about the role of digital services in the publishing marketplace and hope that you are as well. Given the evolving nature of the digital environment, we fully expect that Constellation will continue to grow and expand as new technologies, new partners, and new ways to reach readers emerge and become viable.

This booklet is intended to provide you a brief overview of our current set of services, answers to common questions about each component service, and resources to consult for further information.

We look forward to working with you.

Sincerely,

A handwritten signature in black ink, appearing to read "Joe Mangan", with a stylized flourish at the end.

Joe Mangan
Chief Operating Officer
The Perseus Books Group

TABLE OF CONTENTS

Constellation Service Offering	4
Online Content Sampling Program	7
E-Book Program	10
Short Print Run Program	14
Print on Demand Program	19

Constellation Service Offering

Overview

- Constellation is a set of digital services intended to enable Client publishers to participate widely in the emerging digital landscape at a cost balanced with the revenue potential of those digital opportunities.
- It currently includes digital print services—both short print run (SPR) and print on demand (POD)—online content sampling services, e-Book sales and distribution, and a number of online marketing tools.
- Constellation is designed to be *flexible* to allow Clients to tailor the services to their needs at a title level and *partner and technology agnostic* to extend reach.
- In representing the needs of hundreds of independent publishers, Constellation is also intended to streamline the administrative burden for Clients and digital partners alike while enabling Clients to make more money from their digital efforts.
- Clients may take advantage of any combination of the service offering components in which they have enrolled at a title level and, within each service offering component, may choose the vendors to which Constellation sends their files.

Pricing

Pricing is governed by the menu of Constellation services in which the Client enrolls and is laid out in detail in the Constellation Addendum to the Client's distribution contract.

How Does It Work?

1. Constellation negotiates agreements on behalf of its Clients with the leading digital services vendors.
2. Client chooses the digital services in which it would like to enroll and the vendors with which it would like to work and executes an addendum to its distribution agreement.
3. Constellation makes available to the Client a customized web interface through which Client can manage title upload.
4. To submit titles, Client logs into Constellation using its password protected Client log-on.
5. Client reviews the auto-populated metadata associated with each title to be uploaded.
6. Client indicates the vendors to which each title is to be sent.
7. Client loads print-ready PDF into Constellation via drag & drop web interface or portable file transfer (CD, flash drive). ***
8. Constellation converts the files as necessary and distributes the content to the designated program partners.
9. From time to time, Constellation adds digital partners and makes these new vendors available to its Clients.

***Constellation can assist in the digitization of backlist titles where files are not available.

FAQ

1. **How do I enroll?** Initial enrollment will take the form of an addendum to your distribution services agreement. The addendum will indicate the digital services in which you'd like to participate and will include a set of representations and warranties from you to the appropriate digital service providers (e.g., Amazon, Google, BN.com). Shortly after the addendum is fully executed, you will receive a logon and password to Constellation's Digital Asset Management system.

Make contact with your distribution services representative if you are interested in enrolling in one or more of the Constellation services. In the case of PGW, the contacts are Eric Kettunen and your client services manager; in the case of Consortium, the contact is Michael Cashin; and in the case of Perseus Distribution, the contact is Sarah Coglianese.

2. **What are my responsibilities as a participating Client publisher?** Your chief responsibilities as a participating Client publisher are to identify which titles you'd like to put in which programs; to secure any rights you do not already have to display, distribute, and / or sell your content in digital form; to determine how you will price your digital content and compensate your authors where applicable; and to deliver your book files to Constellation.
3. **Do I have to sign a contract with each of the vendors?** You do not have to sign a contract with each of the vendors: one of the primary purposes of Constellation is to take on that burden on your behalf, and in so doing secure a better deal collectively, at lower administrative cost, for all participating Client publishers. You will need to represent and warrant to our digital partners that you have the rights to display, distribute, and/or sell your content in digital form, but you will do so primarily via the enrollment process with Constellation. Certain vendors may require some additional paperwork; however, our hope and intent is to keep that paperwork to a minimum.
4. **What happens if I already have a contract with one or more of these vendors?** Subject to certain nuances individual to each digital service provider, you will have the option to transition to Constellation's agreement and service arrangements with that digital service provider or to continue with that partner under the terms of your own agreement.
5. **Will Constellation be adding any additional vendors to this program over time?** Yes. As viable digital partners emerge, Constellation will be negotiating agreements with these vendors and making these new relationships available to Clients.
6. **When will these services be available?** Staged rollout of all services is ongoing and will begin in earnest in September 2008. Constellation will simultaneously be implementing its Digital Asset Management system, so interim workarounds will be in place to bridge the gap between the launch of the service offerings and the availability of Client interfaces to the DAM. Full rollout of all services with supporting Client interfaces into Constellation's Digital Asset Management system is expected to occur in the first calendar quarter of 2009.
7. **When do I pay for the various Constellation services, and when do I get paid for sales made through one of the digital programs?** Generally speaking, you will see the deduction for any services on the statement for the month following the month of service. An exception to this rule is the cost associated with manufacturing POD books: those charges will appear on your statement when the corresponding sales do, according to the terms of your distribution agreement. Sales made via any of the Constellation programs follow the same cycle as the sales made for your printed books, subject to the reporting and payment cycle of the individual digital partners (some of these report and pay on a quarterly, rather than monthly, basis). Please refer to the illustrative chart below.

	Transaction Date	Visible through Client interface	Month of Credit or Deduction	Statement Date
SPR – Manufacturing fees	Books printed in August	Receipt viewable within 8 hours	September	End of September / Beginning of October
POD – Manufacturing fees	Books sold in August	N/A	November	End of November / Beginning of December
e-Book – Conversion fees	Books converted in August	N/A	September	End of September / Beginning of October
Constellation file load fee	Book loaded into Constellation in August	N/A	September	End of September / Beginning of October

8. **How will I manage my titles?** Once Constellation’s Digital Asset Management system has been fully implemented, you will have a secure, individual login into the system from which you will be able to manage many functions associated with your digital title set (e.g., direct where an individual title will be sent, monitor the status of titles you have submitted, generate reports, etc.). For other needs, you will be able to reach out to your distribution services contact or a member of the Constellation team.

9. **How will I know my titles have been sent to my designated digital vendors?** Where each title has been sent and when will be associated with that title’s record in the Digital Asset Management system. However, the Constellation team will also be sending a report on a weekly basis that summarizes which of your files were distributed that week.

10. **To whom do I address any questions I might have?** Once enrolled in the program, you can go to your distribution contact or to a member of the Constellation team.

Online Content Sampling Program Overview

Online Content Sampling Program Defined

- Online content sampling partners are web-based partners that enable end users to sample a portion of a book's content.
- Any title in hardcover, paper, or e-Book format can be submitted
- Current partners: Amazon Search Inside the Book, B&N, Google

Pricing

See Online Marketing pricing schedule in the Constellation Addendum to the distribution contract.

How Does It Work?

1. Client enrolls in the online content sampling program via an addendum to its distribution contract and selects online sampling partners.
2. To submit a title, Client logs into Constellation using its password protected Client log-on.
3. Client reviews the auto-populated metadata associated with each title and indicates to which of its approved online sampling vendors it wants to send the title.
4. Client loads print-ready PDF into Constellation via drag & drop web interface or portable file transfer (CD, flash drive). ***
5. Constellation distributes the content to the designated online sampling partners.
6. Titles become viewable in 3-4 weeks depending on the speed of the online sampling partner in making new titles available.

***Constellation can assist in the digitization of backlist titles where files are not available.

FAQ

1. **What partners are currently available?** Amazon Search Inside the Book, B&N, Google.
2. **Can I choose a single partner?** Yes. However, we recommend that you place your titles with all current and future online marketing partners. Each offers additional exposure for your titles.
3. **What's the difference between these programs?** Amazon and B&N present content to potential customers within a retail environment, replicating online the experience of thumbing through the pages of a book at a bookstore and making a sale that much easier. Google, on the other hand, integrates relevant book content within the search results of the millions of people who use their service. People searching on Google may not be looking for a particular book—or book content at all—but may “discover” a book in searching for specific information.
4. **Why would a publisher consider participating in these programs?** Titles will be discovered by a great number of people who browse and search using any one of these programs. The results of discovery vary, but the level of exposure is demonstrated by the weekly statistics provided by the search engines and the sales analysis provided by the online retailers. Amazon claims an 8% increase in sales for books within their “Search Inside” program. Google maintains that the vast majority of titles in their Book Search program are viewed at least once each month by end users.

5. **How do searchers and consumers find books enrolled in these programs?** Both Amazon.com and BN.com prominently indicate when pages from a book are viewable. Google presents books within search results based on relevancy.
6. **How much of my content is visible to the consumer browsing the book?** Each vendor enables an individual consumer to see up to a default percentage of each title within a month or 30-day period; that percentage ranges from 10% to 30%, depending on the vendor. Again depending on the vendor, it may be possible to alter that percentage from time to time at a title level, if, for instance, the content is such that the default percentage exposes more than a sample of the material (e.g., a work primarily for reference, such as a cookbook).
7. **Is Google generating ad revenue from the display of book content?** Yes. Google associates ads with both search results and titles within search results. Any paid advertising or ad revenue generated from the use of this content is shared with the Client. It's up to each Client to determine how portions of this newfound income are to be paid to authors.
8. **Do these programs provide reporting?** Google gives access to detailed information about the books submitted into its programs; Amazon and B&N do not provide reports at this time.
9. **What if I already have a relationship with one or more of these online marketing partners?** In the case of Search Inside the Book, signing on with Constellation for online marketing services with Amazon terminates your current agreement and replaces it with the agreement negotiated by Constellation. In the case of Google, your current direct agreement with Google remains the governing agreement, but you will be able to designate Constellation as your digital distribution partner. Finally, in the case of B&N, signing on with Constellation is meant to supersede any existing arrangement you have with B&N, but you will need to request termination from B&N formally in order to effect the transition. Constellation will provide you with the paperwork to do so.
10. **Can books be pulled out of these programs once they've gone live?** Yes, individual titles can be pulled at any time. It may take up to 7 working days for books to be removed.
11. **How do I pull a title from the program?** Send a cancellation form via email to Constellation@perseusbooks.com. An email confirming receipt of the form will be sent within 24 hours, and a member of the Constellation team will confirm by email when the title has been removed. It can take up to 7 working days for an online partner to remove a title from its site.
12. **Can we send hardcopies to be scanned for older titles?** Yes, for a fee; the files can also be returned to you for the price of the scanning.
13. **Can Constellation make PDFs from application files?** Yes, for a fee, and provided all fonts and images are supplied.

e-Book Program Overview

e-Book Program Defined

- Print-ready PDFs will be converted into .epub and other formats as required in order to distribute the electronic file format to the leading e-content vendors.
- Any title in hardcover or paper where the Client has the contractual rights to the electronic format can be submitted.
- Current partners: Amazon Kindle, Ebrary, OverDrive, Sony Connect.

Pricing

See e-Book pricing schedule in the Constellation Addendum to the distribution contract.

How Does It Work?

Title Set-Up

1. Client enrolls in the e-Book program via an addendum to its distribution contract and selects its e-Book vendor partners.
2. To submit a title, Client logs into Constellation using its password protected Client log-on.
3. Client reviews the auto-populated metadata associated with each title, including the e-Book ISBN, and indicates to which of its approved e-Book partners it would like to send the title.
4. Client loads print-ready PDF into Constellation via drag & drop web interface or portable file transfer (CD, flash drive). ***
5. Constellation converts the files as necessary and distributes the content to the designated e-Book partners.
6. Titles become available for purchase in 2–4 weeks depending on the speed with which the e-Book partners make new titles available.

***Constellation can assist in the digitization of backlist titles where files are not available.

Publisher Compensation

e-Book sales will follow the same sales payment cycle as all other sales under your Distribution Agreement, subject to the reporting schedule of the e-book vendor partner. At present, Ebrary, Sony, and OverDrive all report quarterly; Amazon Kindle reports monthly.

FAQ

1. **The market for e-Books is still so small. What is the benefit of starting now?** First, consumer interest is growing. While it is true that the current market for e-Books is a fraction of the print market, we have seen dramatic sales growth and increasing interest in this sales channel. Amazon recently announced that Kindle sales currently represent 12% of sales for titles available for the Kindle. The AAP reports \$10MM in e-Book sales in the first quarter of 2008, an increase of 33% over the first quarter of 2007 and 150% over the first quarter of 2006.

Second, selling e-Books enables a publisher to maximize sales of its content. With little additional expense or effort, it is now possible to produce digital editions and receive incremental income through a new sales channel.

Finally, e-Books provide a means to increase library sales. The library market has led the technological push toward e-Books for the past decade. Because of collection development and archiving constraints, academic and public libraries worldwide are heavily skewing their budgets toward digital editions to the point that some will go to solely digital collections beginning in 2009. Whatever your title concentration—consumer, trade, or academic—sales growth in the library market will be predominantly digital.

2. **I've never sold digital copies of my books before. What do I need to know to begin?** First and foremost, you must ensure that you have the rights necessary to sell your content in digital form. Where you do not, you will need to amend your contracts to incorporate these rights. And if you have not done so already, you will want to revise your boilerplate as soon as possible to include the right to sell your content in digital form.

Logistically, you will need to be able to supply digital files of your titles, order ISBNs for the digital edition(s), establish a Digital List Price for the digital edition, and have a means of disseminating the PDF to the digital marketplace (in this case, Constellation). Each digital partner with which we work has differing metadata requirements (i.e., requisite fields that must be supplied). These include everything from Title, Author, Publisher, etc., to territorial rights. (If you're already selling to online retailers like Amazon, you're familiar with this.)

3. **What is the risk of piracy with the partners with whom Constellation is collaborating?** No more than in the print realm. It has always been possible to photocopy print editions of a work or simply scan and replicate an edition. With digital editions, DRM is in place to minimize the risk of piracy. However, it does not eliminate it, and the risk exists.
4. **To which e-Book partners will Constellation be distributing files?** Constellation currently has finalized agreements with the following e-book vendors:
 - a. Leading consumer-facing e-Book retailers:
 - i. Amazon Kindle [www.amazon.com]
 - ii. Sony Connect [www.ebookstore.sony.com]
 - b. e-Book wholesalers primarily serving the library market:
 - i. Ebrary [www.ebrary.com],
 - ii. OverDrive [www.overdrive.com]

A number of other partnerships are under discussion, and new vendors will be added as they become viable outlets for e-Book content.

5. **Will you be accepting and distributing downloadable audio files as well?** Yes. Given the composition of our customer base, this is a second tier of effort, but we expect to be in a position to accept and distribute downloadable audio by the second quarter of calendar 2009.
6. **What happens if I already have a contract with one or more of these vendors?** Subject to certain nuances individual to each digital service provider, you will have the option to transition to Constellation's agreement and service arrangements with that digital service provider or to continue with that partner under the terms of your own agreement.
7. **What if I have a relationship with an e-content vendor with which Constellation does not have an agreement? Will Constellation be able to send my files to that partner too?** Constellation will be adding e-Book vendors as these emerge and become viable sales channels for our Clients' products. Interest by Clients in these prospective partners will be a factor in determining the companies with which Constellation forges a new relationship; however, we will not be able to supply files to vendors with which we do not have an existing relationship. We will be able to supply you with copies of files that we have digitized or converted, if you did not request a copy of these at the time we did the digitization or conversion.

8. **Can I choose a single vendor?** Yes. However, we do think it makes sense to place your titles with all current and future e-Book partners. Each offers a specific customer base, speed to market for that customer base, and additional value-added solutions for online search and marketing.
9. **How do I track sales?** Depending on the e-Book partner, Constellation currently receives sales reporting on either a monthly or a quarterly basis. This reporting will be loaded into Constellation's sales reporting systems upon receipt of the report and will be visible to you via your Client interface by the middle of the month following the month in which the sales were made or reported to us.
10. **Do Kindle sales show up in Amazon POS?** At this time Amazon does not incorporate sales of Kindle e-Books into its POS reporting.
11. **How many e-Book ISBNs do I need? I've heard that I may need to assign one for each format on the market.** The formal position of the International ISBN Agency is that each electronic format requires a separate ISBN, but this question is currently a matter of debate, and different publishers have adopted different stances on the issue and different practices. BISG is studying the question and is expected to issue strong guidance on the subject by the end of the year. It is not, strictly speaking, necessary to assign a separate ISBN to each format being sold, and, for now, Perseus, along with a number of the largest publishing houses, does not do so. Note, however, that intermediaries may be assigning their own internal tracking numbers or even ISBNs from their own blocks in order to distinguish among the formats in the supply chain.
12. **I've heard that some of the major e-Book partners will do conversions for me. Why might I want to take on these conversions myself?** There are a number of reasons why a publisher would undertake its own conversion to .epub. The three most important are (1) the control that providing your own .epub file provides you over the look of the file (which is especially important when it comes to graphical elements like call-outs and sidebars and linking), (2) in many cases quicker availability of your title at the e-Book vendors, and (3) ownership of the resulting file. To that last point, doing the .epub conversion for yourself results in a copy of that file that you can then send to future eContent partners; allowing an e-Book partner to do the conversion for you does not provide you with a copy. In addition, some e-Book vendors may convert your file only to a dominant e-Book format and not all the formats they sell.
13. **Can I send hardcopies to be scanned for older titles?** Yes, for a fee; the files can also be returned to you for the price of the scanning.
14. **Can Constellation make PDFs from application files?** Yes, for a fee, and provided all fonts and images are supplied.

Short Print Run Program Overview

Short Print Run Program Defined

- Short print run (SPR) entails printing small quantities of a title to stock rather than printing to order, though at much lower quantities than a traditional offset printing would require.
- In addition to allowing Clients to print relatively small quantities of slower-moving titles, SPR provides a convenient means of inexpensively producing and distributing galleys on forthcoming titles.
- Can be used for any paperback title or galley that falls within the minimum and maximum trim sizes defined on the pricing schedule.
- General guideline for putting paperback titles into SPR: titles selling fewer than 500 units in a 12 month period.

Pricing

See the Short Print Run pricing schedule in the Constellation Addendum to the distribution contract.

How Does It Work?

Title Set-up

1. Client enrolls in the Short Print Run program via an addendum to its distribution contract and selects either automated or manual replenishment (see below).
2. To submit a title, Client logs into Constellation using its password protected Client log-on.
3. Client reviews the auto-populated metadata associated with each title and indicates that it is submitting the title for Short Print Run.
4. Client loads print-ready PDF into Constellation via drag & drop web interface or portable file transfer (CD, flash drive). ***
5. Constellation loads the print-ready PDFs onto the Edwards Brothers secured digital print server.
6. Titles can be ordered 10 days after submission or 10 days after return of an approved proof, where requested.

***Constellation can assist in the digitization of backlist titles where files are not available.

Stock Replenishment: Automated and Manual Modes of Reprinting

Clients have a choice of either Automated or Manual reprint mode. A Client opting for automated reprinting relies on the system to keep titles in stock based on the parameters outlined below. Reprints are evaluated and executed daily with the system maintaining available inventory levels of between 1 and 4 months' supply. A Client opting for Manual reprinting must approve every reprint. Reprints are recommended weekly and it is up to the Client to decide when to reprint. Given the higher level of manual work required in Manual mode, there is a small up-charge for Manual mode reprints. The selection of Automated or Manual reprint mode is made at the Client level; we cannot accommodate mixed modes of reprinting with a single Client.

Order process – Automated process

1. Digital print orders will be automatically generated once a day and sent electronically to Constellation for fulfillment.
2. An order is triggered when current available inventory drops below a one month supply (based on current ROM¹).
3. Reprint qty = 2–3 months' supply with a minimum order of 20 and a maximum of 500.
4. Any titles for which the recommended order is greater than 500 units will be flagged and sent to the Client within 48 hours with digital and offset print pricing and a request for further instructions.
5. For these titles, Client has the option to print and supply through their vendor of choice, print digitally through Constellation, or print with Edwards Brothers using Constellation print pricing and ship in on a consolidated truck. Freight charges will be applied separately.

Order process – Manual Process

1. Digital reprint recommendations will be automatically generated once a week.
2. Reprint recommendation is triggered when current available inventory drops below a one month supply (based on current ROM).
3. Reprint qty = 2–3 months' supply with a minimum order of 20 and a maximum of 500.
4. Reprint recommendations will be emailed to Client for review and approval.
5. Client has the option to print (Y) or not print (N). The default for all titles is N.
6. If the Client wants to print any of the recommended titles the annotated order form must be returned to Constellation within 72 hours.
7. Any titles not printed (but below one month's supply) will reappear on the following week's list of reprint recommendations.

Special Request and Galley Orders

In either Automated or Manual mode, a Client may place a manual order with Constellation for a title that has more than one month's supply available at any time (e.g., for an author event or to meet anticipated increases in demand). All galley orders will require a manual order. If the Client has elected the Automated mode, manual orders for specials and galleys will be billed at the automated rate. Manual mode Clients will be billed at the manual rate.

Workflow and Invoicing

1. Print priorities are set based on inventory levels. All inventory will be on the shelf within 5–7 working days.
2. Stock will be received as a standard bindery shipment and will be viewable through the Client's normal interface.
3. Constellation invoices Client for all work completed during the month. Invoices will be detailed by ISBN, print quantity, and unit cost.
4. Invoices will be deducted from Client payables at the end of the month following the month invoiced.

¹ **Rate of Movement Calculation:** Constellation establishes Rate of Movement (ROM) based on the following criteria: prior 12 months sales if the book is more than 24 months from publication and prior 6 months sales if the book is less than 24 months from publication. ROMs are updated monthly and an adjusted ROM can be calculated for seasonal titles.

FAQ

- 1. Why would a publisher consider putting a book in the short print run program?** Short Print Run can benefit a title and a publisher in many ways. While it can be used as part of the “long tail” solution, digital print also provides solutions previously unavailable with traditional offset printing:
 - Gap printing between two editions
 - Desk copy printings for academic titles
 - Quick fulfillment on dormant titles or NYP titles that surge due to an unforeseen event
 - Economical galleysFinally, digital print is indeed the ideal solution for a title that is slowing down in sales but still has demand: it provides an economical solution to the problem of printing long and thereby creating overstock or obsolete inventory.
- 2. I've always understood there to be a marked difference in quality between offset printing and SPR. How can I evaluate how important that difference is?** While this was true at one time, digital print has made quantum leaps over the last 5 years in terms of halftone, grayscale, line art, and 4/c process for covers. Paper has also improved, making the overall look and feel of the digital product comparable to offset in both b/w and color. In addition, a Client can improve the quality of the digitally printed book by observing some basic guidelines:
 - Supply PDFs wherever possible (or working files that can be used to create PDFs for a small fee): scanning titles puts one more generation between files and the original artwork.
 - Realize that shading or gradation are printed differently in the digital process and consider changing the element before creating a PDF to improve contrast and readability if the element contains type. (That said, printer settings render these old hurdles almost nonexistent.)
 - Balance the artwork in the native application before creating a PDF: there is no dot gain in digital print!
 - Finally, keep in mind that digital printing will not improve images that were problematic for offset printing.

Constellation can provide profiles for PDF creation that will optimize your PDFs for digital print. **And we will gladly print a proof of your books for free if you have any doubts: simply send us a file.**

- 3. What are the limitations to the types of books that can be produced in the Constellation Digital Print facility?** Binding style will be limited to paperback. There are maximum and minimum trim sizes and page counts, which are outlined in the pricing schedule.

However, Edwards Brothers in Ann Arbor has the ability to manufacture hardcover, jacketed digital editions. Books can be consolidated on weekly trucks into Jackson (pro-rated freight to be paid by Client). The schedule is 3 weeks order to delivery.

- 4. Will I be able to see total costs before I commit to a set of print recommendations or before automatically generated reprint orders are fulfilled?** Constellation will provide you with an estimating tool that you can use to approximate print costs on any particular title. If you have opted for the manual mode of reprint approval, you can use this tool in conjunction with the list of suggested reprints to gauge the total cost of that week's print recommendations. However, if you have opted for the automated mode of reprint approval, those orders will be automatically placed on a weekly basis without the opportunity to review that week's cost.

5. **Is there a recycled paper option?** Yes. The digital print center will stock a 50# 440PPI cream and 50# 606 PPI white sheet. Please see the pricing schedule for details.
6. **Can Constellation make PDFs from application files?** Yes, for a fee, and provided all fonts and images are supplied.
7. **If Edwards Brothers has done offset work for a Client, can the files be transferred over for digital?** Yes. On the metadata form, mark that you will supply files and indicate in the notes that the files are on hand with Edwards Brothers.
8. **Can the Jackson warehouse handle a galley mailing for galley printings done through Constellation in Jackson?** Yes. This currently requires a work order, but Constellation is working to establish a specific group/area for these mailings. Client will need to supply any additional materials to be inserted into the package along with mailing labels.
9. **If I've enrolled in both SPR and POD, and I'd like to make a title available for digital print, how do I toggle between the two printing methods for a particular title?** At the time of title submission, you will indicate whether you wish to enroll that particular title in SPR or POD. A title can only be designated for one method of digital printing at any one time, but you will be able to change that designation as circumstances warrant.
10. **What equipment will be used to print the text and covers?** Text will be printed with Oce Varioprint 6250 printers, which are known for their halftone quality, and covers will be printed on an Oce 650.

Print on Demand Program Overview

Print on Demand Program Defined

- Using Print on Demand (POD), books are printed to fill specific orders. No stock is maintained in the warehouse.
- Can be used for most paperbacks and select hardcovers.
- General guideline for putting paperback titles into POD: titles selling fewer than 120 units in a 12 month period.
- Current partners: BookSurge, Lightning Source.

Pricing

See POD pricing schedule in the Constellation Addendum to the distribution contract.

How Does It Work?

Title Set-Up

1. Client enrolls in the Print on Demand program via an addendum to its distribution contract and indicates which POD service providers it would like to use. Where the Client opts for more than one provider, the Client indicates as well to which POD vendor it would like to send orders received by Jackson Customer Service for fulfillment.
2. To submit a title, Client logs into Constellation using its password protected Client log-on.
3. Client reviews the auto-populated metadata associated with each title and indicates by which of its designated POD partners it would like the title to be produced.
4. Client loads print-ready PDF into Constellation via drag & drop web interface or portable file transfer (CD, flash drive). ***
5. Constellation distributes the content to the designated POD partners.
6. Titles become available for order in 3–4 weeks depending on the speed of the POD partner in making new titles available.

***Constellation can assist in the digitization of backlist titles where files are not available.

Order Process and Invoicing

1. Orders placed through Jackson Customer Service are fed daily to default POD partner via EDI, or POD partner(s) receives order from a customer directly.
2. All orders under 250 units are printed and shipped within 48 hours. Orders placed through Jackson Customer Service are shipped in a box with a return address of Perseus Distribution in Jackson, TN.
3. Sales details for orders filled by POD partner are loaded to Jackson at the end of the month.

4. Constellation invoices Client for manufacturing and remits payment to Client for all work completed during the month on the sales remittance cycle outlined in the Client's distribution agreement.

Example:

For books printed and sold in May:

- Sales and compensation are loaded into Jackson systems no later than mid-June.
 - Payment for POD sales (compensation) and manufacturing costs (chargeback) appear on the statement at the end of August/beginning of September.
 - **IMPORTANT:** All units sold will be viewable through the Client interface within 24 hours of being loaded into the system.
5. Invoices will be line item detailed by ISBN, print quantity, and unit cost.

FAQ

1. **Why would a publisher consider putting titles into a POD program?** The most common reason to put a title into a POD program is to manage inventory and avoid putting the title out of stock when its sales velocity has fallen to a relatively low level and an offset or short print run printing would result in excessive stock. POD can also be used creatively as a tool to adapt inventory to market demands and even to fill an unanticipated gap in inventory due to a spike in interest at the beginning of a title's life. In addition, publishers can take advantage of POD partners' overseas facilities to supply those markets with locally printed copies of digital titles, thereby avoiding shipping charges on low margin digital titles.
2. **I've always understood POD to be very expensive. Do the economics really work for the publisher?** Every publisher has a unique set of economics that determine whether a title is financially successful and viable. The list price and profit margin for POD titles should be reviewed by a publisher when those titles are being considered for POD. It is likely (and recommended) that a title will need a price adjustment to accommodate the manufacturing costs associated with POD titles. That said, the unit costs for POD titles have decreased dramatically over the past five years, meaning that POD titles are no longer automatically priced out of the market. Keep in mind that the consumer is actively seeking these titles and to find them back in stock through any outlet is considered a success.
3. **What are the limitations to the types of titles suitable for POD?** POD vendors continue to push the boundaries of digital print. Full four-color children's books are not uncommon. The limitations are usually a result of the binding process and can include such things as square format; b/w text with a 4/color insert; very high page count (>800 pages); and four-color books more than 128 pages in length.
4. **Is there a recycled paper option?** BookSurge paper is FSC certified with recycled content, but they do not advertise a recycled sheet. LSI currently does not have a recycled paper option.
5. **Are hardcovers, cloth material, and jackets available?** Yes.
6. **Can we send hardcopies to be scanned for older titles?** Yes, for a fee; the files can also be returned to you for the price of the scanning.
7. **Can Constellation produce PDFs from application files?** Yes, for a fee, and provided all fonts and images are supplied.
8. **What is the difference between the two vendors? Is there a difference in quality?** There is virtually no difference in the print quality of the text and cover. Both BookSurge and Lightning Source use high quality print engines that make switching to digital print a very exciting alternative for

Clients. However, they do differ in the binding and trim size allowed. Please consult the pricing addendum for a more detailed comparison on title specs and pricing differences, but briefly:

- **Trim Sizes:** BookSurge allows flexible trims with minimums and maximums; LSI offers a variety of defined trim sizes
 - **Binding:** BookSurge offers paperback only; LSI offers paperback and hardcover (PLC, Cloth only, or Cloth with jacket)
 - **B/W or Color:** Both offer b/w and color printing
 - **Pricing:** See Constellation Addendum
9. **Can I choose a single vendor?** Yes. However, we recommend that you place your titles with both POD partners. Each offers speed to market for their customer base and each offers additional value-added solutions for online search and marketing. If you opt to put your titles with both vendors, you will also select one of the two to serve as your manufacturer for any orders received directly by Customer Service in Jackson.
10. **If I've enrolled in both SPR and POD, and I'd like to make a title available for digital print, can I toggle between the two printing methods for a particular title?** At the time of title submission, you will indicate whether you wish to enroll that particular title in SPR or POD. A title can only be designated for one method of digital printing at any one time, but you will be able to change that designation as circumstances warrant.
11. **What if I already have a relationship with one or both of these vendors?** Unless you have made a commitment to one of the vendors that has not yet been fulfilled (e.g., to submit a certain number of titles), you should be able to begin submitting titles to Lightning Source and/or BookSurge via Constellation immediately. Transfer of any titles already at one or the other of the POD vendors would be subject to the terms of your agreement with that vendor.
12. **How do I track my sales?** For orders sold using BookSurge or Lightning Source as a wholesaler, sales will be entered into Jackson reporting systems within 10 days of the end of month reporting cycle of the POD partner. Sales will then be viewable through the client sales interface. Orders placed through Jackson Customer Service will appear in the system just like sales of stocked titles.
13. **What are the terms of sale on a POD title?** The discounts are the same as for a stocked item. Our sales of units to BookSurge and Lightning Source when they are acting as wholesalers are non-returnable. Published terms on POD titles ordered via Jackson Customer Service are also non-returnable; however, our ability to enforce non-returnability is not absolute.
14. **How are the orders shipped?** All orders are shipped UPS ground. Boxes of books ordered through Jackson Customer Service will carry labels that mimic those used on boxes originating at the Jackson warehouse: that is, they will carry a Perseus Distribution return address.

For more information about Constellation, please contact

Melissa Serdinsky
Vice President, Boulder Ops & Production Manufacturing
The Perseus Books Group
melissa.serdinsky@perseusbooks.com
720-406-7263

Michael Cashin
Vice President, Publisher Services
Consortium Book Sales & Distribution
mcashin@cbsd.com
612-746-2619

Sarah Coglianese
Director of Client Services
Perseus Distribution
sarah.coglianese@perseusbooks.com
212-340-8156

Eric Kettunen
Vice President of Marketing
Publishers Group West
eric.kettunen@pgw.com
510-809-3721