

From: Steve Riggio
Sent: Tuesday, April 14, 2009 4:07:41 PM
To: Mike Ferrari
Cc: William J. Lynch; Tony Astarita; Kevin Frain; Theresa Horner
Subject: Re: eBook Pricing and Proposed Terms

Proceed

From: Mike Ferrari
To: Steve Riggio
Cc: William J. Lynch Jr.; Tony Astarita; Kevin Frain; Theresa Horner
Sent: Tue Apr 14 16:53:17 2009
Subject: RE: eBook Pricing and Proposed Terms

Got it.

We agree that we won't be able to negotiate rev shares with all publishers by July 1. However, we do want to push the top publishers hard for July 1. We see a window of opportunity here as publishers await our entry in the arena. Short term, marketplace competition will be fierce, and our margins will end up in single digits without revenue sharing. Long term, rev share is the right model for the business, and we should make the case now. Once the competition shakes out and the marketplace settles down, it will be a harder sell to the publishing community.

Regardless of the terms we negotiate, we will have contracts with every supplier of digital content. Our contract will have a most-favored-nation clause to ensure that we are purchasing at the best available terms.

Tony, Theresa, and I have thought hard about how to get back the significant capital investment we are making with conversions. For those publishers who cannot simply reimburse us, our strategy is to collect a significant percentage (15% of retail) of every sale of every converted title for the life of the contract (= 2 years). We completely understand the mandate to earn back the investment, plus the cost of capital, and then some, and we believe this will do it.

Mike

From: Steve Riggio
Sent: Tuesday, April 14, 2009 1:03 PM
To: Theresa Horner
Cc: William J. Lynch; Tony Astarita; Kevin Frain; Mike Ferrari
Subject: RE: eBook Pricing and Proposed Terms

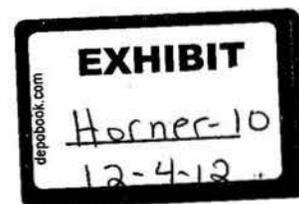
Comments on terms:

1. We should explore rev share models but I don't think we have time to negotiate them all for July launch.
2. I understand the general trade terms are 50% discount off publishers digital list price but we have to find out exactly what the published terms are from every publisher for eBooks - and get that in writing. We cannot allow pubs to sell Amazon at lower prices or to get volume discounts. Publishers do not offer volume discounts on "p" books.
3. If we do the conversion, we need a formula to earn the money back.

If it costs \$70 to convert a title, can our system track sales until it determines when it has been earned back? In other words if regular trade terms are 50% off, a \$9.99 book would cost \$4.99. If we received a 70% discount our cost would be \$2.99 - and extra \$2.00 or 35 copies sold. Once we hit that we'd then buy at 50% off.

There could be other approaches.

4. I think exclusives will be deal by deal (some total exclusivity and some for 90 days) but a 50/50 rev share is where I would start.



From: Theresa Horner
Sent: Tuesday, April 07, 2009 9:06 AM
To: Theresa Horner; Steve Riggio
Cc: William J. Lynch Jr.; Tony Astarita; Kevin Frain; Mike Ferrari
Subject: RE: eBook Pricing and Proposed Terms

Sorry - attachement...

And I meant William, TONY and Kevin are in agreement.

Thanks.

From: Theresa Horner
Sent: Tuesday, April 07, 2009 8:26 AM
To: Steve Riggio
Cc: William J. Lynch Jr.; Tony Astarita; Kevin Frain; Mike Ferrari
Subject: eBook Pricing and Proposed Terms

Hello Steve,

Attached is a presentation outlining our eBook pricing plan for June and potentially October as well as the ebook business terms we are going to propose to publishers. William, Tom and Kevin are all in agreement with this approach.

The major push to publishers is that for titles where they give us a window of exclusive distribution, we will give them a greater revenue share. Getting exclusive access to content will give us two advantages: content Amazon won't have; and the freedom to price appropriately—higher than \$9.99.

It will be a challenge to get publishers to accept a revenue share model but we need to start pushing this model and start these discussions.

Trade Terms

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Non-Exclusive Titles

50/50 net Revenue Split with floor (30% of lowest print price or digital list price, whichever is lower)

Exclusive Titles

70/30 net Revenue Split with floor (30% of lowest print price or digital list price, whichever is lower)

Minimum 3 month window of exclusivity for digital edition

No coop for digital edition

Tie-in with print book promotions

•Converted Titles

35/65 net Revenue Split with no floor

2 year term, after which publishers provided with file

Pricing

\$9.99 for New York Times Bestsellers and New Releases (up to 6 months)

20% discount on all other titles not under \$7.99

5% discount on short discount titles (textbooks)

Please let me know if you have any questions.

Thanks.

Theresa

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