

From: Murray, Brian (HarperCollins US)
Sent: Friday, January 22, 2010 1:51 PM
To: 'Grandinetti, Russell'; 'Naggar, David'
Cc: 'Kessel, Steven'
Subject: Follow-up: Agency terms specifics

Russ, David,

Thanks for coming in to see us this week on short notice. I wanted to propose some agency terms so that when you have your discussions in Seattle you have some specifics.

As you know, HarperCollins has begun delaying many of its ebook editions. We are working to create enhanced ebooks although this will take time and we need to learn what we can deliver that will excite consumers. I'd like to work with you on how we could make these ebooks available through your Kindle app when you are ready and we are ready.

In the meantime, the ebook industry is undergoing tremendous change – this week and next week. HarperCollins is strongly considering moving to an agency model for sales of digital content. In this scenario, all ebooks would be delayed 6 months for all retailers that are on our standard “reseller” terms. However, HarperCollins would make all ebooks available simultaneously with the hardcover to any partner who is willing to be an agent. In an agency model, HarperCollins will set the price for the consumer.

HarperCollins ebook prices for new release titles will be between 12.99 and 19.99 with the vast majority of titles in the 12.99 and 14.99 price points (some could be \$9.99). HarperCollins will pay the agent a 5% commission on these sales. Generally this 5% commission will last for the first 6 months of a new hardcover.

For titles that are not new releases (backlist, paperbacks, new titles that are more than 6 months old), HarperCollins will pay the agent a commission of 20%. Prices will all be \$9.99 and below. I'm willing to work with you to make sure we adopt pricing that maximizes sales since you have the most data on the right pricing for ebooks.

We value your existing business – print and digital - and want to create a digital model that works for you, for us and for our authors. I know you are skeptical that publishers can set pricing and this is not ideal from your standpoint but there are a number of alternative models and partners speaking to us now and I want to make sure that you are involved in discussions about the future. At this point in the transition of our business to digital, I think the agency proposal above is a way forward that achieves the best outcome for our stakeholders and is better than the status quo. I assume this agency model will change where you earn your margin (more margin on the bestsellers and less on the backlist), but you may make more money with this model.

I will make myself available to discuss this at any point. Deliberations are moving fast. If I could get your support to this kind of agency model in principle, I have less need to support other partners who wish to enter the ebook business. As I mentioned we haven't made any decisions yet about how we will sell ebooks to consumers yet, but decision time is approaching. Any feedback is helpful.

Brian

