

From: Reidy, Carolyn
Sent: Thursday, December 17, 2009 8:51 PM
To: Moonves, Leslie <leslie.moonves@cbs.com>
Subject: EBooks

Dear Leslie:

Terrific news! (**Confidentially**) We met with a representative of Apple's iTunes Store yesterday, who came to New York to tell us that Apple will be entering the eBook market "within 90 days." He said they did not go into the digital book market before because they didn't have the "machines" to do so and although they do not comment or talk about any machines that are in development, they have never made any machine that does not have a touch, color screen or that is not web-enabled. They are not interested in dedicated E-Readers. We take all these comments to mean that the rumored Apple Tablet will indeed be introduced within 3 months.

Their focus will be on books, not magazines, newspapers, or the educational market. They are not interested in a low price point for digital books (although they do want the digital books to be priced below paper editions), do not discount off list price, do not accept placement fees, and never sell at a loss. They also cannot tolerate a market where the product is sold significantly more cheaply elsewhere (although they can accept some price differentiation between themselves and a low-price competitor): i.e., they don't want Amazon's \$9.95 to continue. They do not like windowing because it alienates customers and leads to more piracy.

Clearly the entry of Apple into our market will be game-changing to the eBook market and accelerates many decisions we have been contemplating. I would like to set up a meeting with you and Joe for early in the New Year to discuss 1) sales terms; 2) strategies for dealing with the various parts of the market; 3) implications for authors and us.

Furthermore, there has been a significant amount of discussion in the industry since announcement of the Covey deal with Amazon – in the last few days we have gotten just as many calls from agents demanding a 50% royalty on backlist or at the least asking to come in and talk with us early in the New Year as we had previously gotten thanking us for our windowing. The time to contemplate changes in our royalty offerings is when we change our terms to accounts. So we'd also like to review the state of play on eBook royalties and the implications for our finances as we move forward.

I'm happy to give you some background on any and all of this in advance if you'd like. Or I can just set up a time here in New York when you'll be here in January. Let me know what and when you'd prefer.

Best wishes, Carolyn

