
FIRST SUPPLEMENTAL

APPENDIX

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PLAINTIFF STATES' PROPOSED CONSUMER DISTRIBUTION PLAN

Premises

The Distribution Plan is premised on the following factors:

- 1) The consumers of non-settling publishers have claims against settling publishers under a theory of joint and several liability for an antitrust conspiracy as alleged in the Complaint. Accordingly, to obtain a full settlement for the settling defendants, the purchasers of E-books published by any of the five alleged co-conspirator agency-model publishers must receive a distribution in consideration for the release of their claims against the three settling publishers. These five publishers include the three settling publishers as well as Macmillan and Penguin. It is contemplated that any monies received from the non-settling publishers and/or Apple, whether by settlement or judgment against them, will similarly be distributed to consumers of all five agency model publishers. This distribution may then be envisioned as a partial recovery to consumers, to be followed, it is hoped, by additional recovery at a later date.
- 2) The technology associated with the purchase of E-books allows an unprecedented level of effective, direct notification to consumers, as well as providing multiple avenues for consumers to realize the value of their specific distribution. For example, under the distribution plan, consumers may choose to receive the value of their distribution either by applying it to additional purchases of E-books or by requesting a check for the same amount.
- 3) It should be made as easy as possible for consumers to obtain their distribution. Thus, the Distribution Plan contemplates that consumers who can be directly identified and whose distribution amount can be calculated and applied by retailers will automatically receive a credit to their account unless they specifically choose to opt out or to request a check. Certain other consumers who can be identified sufficiently from retailer provided data will receive checks automatically. Virtually no consumer will be denied a distribution due to inattention on the part of the consumer.
- 4) Distributions to any individual should be in proportion to the number of qualifying E-books that she purchased during the claim period and distribution on a per E-book basis should be in rough proportion to the calculated amount of price increases experienced by each class of E-books as well as the risk-adjusted probability of success on the merits of an antitrust case related to that type of E-book. Thus, for example, the distribution amount for a qualifying New York Times bestseller is higher than for a non-bestseller bought while on the front list (sale <1 year after initial publication), which is in turn

higher than for a E-book bought while on the backlist (sale > 1 year after initial publication).

- 5) Business, technological and legal issues constrain the ability of some retailers to provide certain notice and distribution services. The plan makes accommodations for consumers who purchased from these retailers. For example, Crediting Retailers (as defined below) can identify eligible consumers and, upon final court approval, apply credits to customer accounts. By contrast, Google can only send notices to potentially eligible consumers, and Google consumers will need to make claims using the website established by the Attorneys General. Sony can both send notices and provide sufficient information to allow Attorneys General to send checks directly to eligible Sony consumers.
- 6) The Distribution Plan must screen out duplicate claims.
- 7) The Distribution Plan must exclude consumers in states whose Attorneys General do not participate in the settlement.
- 8) Distribution amounts are based on a known settlement amount of \$69.04 million and a calculated number of qualifying E-books. The States received aggregate information from Amazon, Barnes & Noble and Apple, which shows the actual number of E-books sold by the Agency 5 publishers during the period from April 1, 2010 (or the later start of an agency arrangement with respect to certain publishers) and May 21, 2012. This sales information was broken down by NYT Bestsellers, frontlist and backlist. Based on information received from the Settling Publishers, the Distribution Plan assumes that these three retailers have a combined market share of 97% of the E-books sold during the qualifying period.
- 9) A 5% holdback is assumed initially to account for potential claims greater than assumed. Thus, the initial per unit distributions are calculated based on a settlement amount of \$65.6 million. Following completion of the claims period, the per unit recoveries will be recalculated as necessary to distribute the full \$69.04 million available.

The Plan

1. Qualifying E-books include all new E-books sold under an agency model contract by Hachette, HarperCollins, Simon & Schuster, Macmillan and Penguin during the period from April 1, 2010 through May 21, 2012, inclusive (the "Claim Period").
2. Qualifying consumers shall include all individual consumer purchasers (exclusive of business, government, library, non-profit or other entity consumers) resident in any State

or Territory, with the exception of those consumers resident in the State of Minnesota, who shall have no rights to any distribution hereunder. For purposes of this limitation, the billing address associated with the credit card used for the purchase shall be determinative as to residence.

3. For each E-book that was on a NYT bestseller list (Fiction, Non-Fiction and Advice) during the Claim Period, the distribution shall be \$1.32 per unit. For each E-book that was not on the NYT Bestseller list, and was within one year of its initial publication (frontlist), the distribution shall be \$0.36 per unit. For each E-book that was not on the NYT Bestseller list, and was sold more than one year following initial publication (backlist), the distribution shall be \$0.25 per unit. In the event that the Claims Administrator is unable to determine whether an E-book is a frontlist or a backlist E-book, that E-book shall receive a calculated blended credit of \$0.30 per unit. These amounts may be adjusted following the end of the claims period. But in no case will recoveries exceed the calculated treble damages amount for any individual unit. No recoveries shall be distributed on account of free E-books.
4. With respect to consumers of Amazon, Barnes & Noble, Kobo¹, and Apple (each, a “Crediting Retailer”), the following procedure shall apply:
 - a. The Crediting Retailer will identify in its own internal system all individual consumers who purchased qualifying E-books and shall calculate the distribution for each such customer based on the per unit recoveries specified in Paragraph 3 (as subsequently adjusted).
 - b. As more fully set forth in the Notice Plan, the Crediting Retailer will provide direct email notice to the identified consumers within its system. The email will direct consumers to a website maintained by the Claims Administrator. The email will contain a unique customer identifying number or will direct the customer to his or her Crediting Retailer account to obtain such number.
 - c. For purposes of maintaining customer privacy, Consumers will be identified by unique numbers to be provided by the Crediting Retailer rather than by name.
 - d. In addition to providing the notice information set forth in the Notice Plan, the website will provide an option for consumers to request a check and will provide instructions on how to opt out of the settlement entirely. Consumers claiming a check shall provide both name and address for the check, as well as the unique

¹ Kobo's customers include those former Borders customers who opted to transition their accounts to Kobo before Borders went out of business.

customer identifier used to confirm their status with the Crediting Retailer. Any claim made for purchases from a Crediting Retailer that does not have a unique customer identifier will be treated the same as a claim for a purchase from an Other Retailer.

- e. The Claims Administrator will provide to each Crediting Retailer a list of consumers who have elected either to opt-out or to receive a check.
- f. If an identified customer is not on the list of those electing to opt-out or receive a check, the Crediting Retailer will, upon final approval by the Court, make available to each identified customer the calculated amount of his or her distribution as a credit to be used for further E-book or print book purchases from that Crediting Retailer. Thus, if a customer takes no action to opt-out or request a check, she will automatically receive a purchase credit upon final Court approval.
- g. Following final Court approval, the Claims Administrator will send checks to those consumers who have requested them in lieu of a credit.

5. With respect to Consumers of Sony, the following procedure shall apply:

- a. Sony shall provide direct email notice to its own potentially eligible consumers, as set forth more fully in the Notice Plan. The email will direct consumers to the website maintained by the Claims Administrator.
- b. Once directed to the Settlement website, the Sony customer will be informed how to opt-out of the settlement. Sony consumers need not make a claim or expressly request a check because they will be sent checks automatically as described below.
- c. Sony will provide to the Claims Administrator a list of all potentially eligible consumers, together with sufficient information to determine, for each customer, the E-books purchased by title and ISBN, the initial publication date, the purchase date, and the customer names and addresses.
- d. Using the information provided by Sony, the Claims Administrator will calculate the appropriate distribution for each Sony customer and, upon final Court approval, will send a check to each one.

With respect to customers of Google, the following procedure shall apply:

- a. Google shall provide direct email notice to its own potentially eligible customers, as set forth more fully in the Notice Plan. The email will direct customers to the website maintained by the Claims Administrator. The email will contain a unique customer identifying number to be provided to the Claims Administrator website.
 - b. Once directed to the Settlement website, the Google customer will be informed how to opt-out of the settlement and will be provided with a form to be used to make a claim for a check. The customer will be required to provide the unique customer identifying number previously emailed to the customer by Google. The claim form will clearly state that making a claim will also constitute permission for the Claims Administrator to contact Google to verify the information provided by the customer.
 - c. Using information provided by the claiming customer, the Claims Administrator will coordinate with Google to calculate the distribution for each such customer using the per unit distribution amounts set forth in Paragraph 2.
 - d. Upon final Court approval, the Claims Administrator will send checks to customers with valid claims.
6. With respect to consumers of any retailer not otherwise named herein (an “Other Retailer”), the following procedure shall apply:
- a. The consumers shall receive publication notice in accordance with the Notice Plan. The publication notice will direct consumers to the website maintained by the Claims Administrator.
 - b. Once directed to the Settlement website, the customer will be informed how to opt-out of the settlement and will be provided with a form to be used to make a claim for a check. The customer will be required to identify the retailer from which she purchased E-books and the specific E-books for which distribution is claimed. The claim form will clearly state that making a claim will also constitute permission for the Claims Administrator to contact the appropriate retailer to verify the information provided by the customer.
 - c. Using information provided by the claiming customer, the Claims Administrator will, as necessary, verify the qualifying purchases with the appropriate retailer and will calculate the distribution for each such customer using the per unit distribution amounts set forth in Paragraph 2.

- d. Upon final Court approval, the Claims Administrator will send checks to consumers with valid claims.
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7. If technological barriers to granting credits can be overcome by the deadline for notice to be given, Sony and/or Google may become Crediting Retailers.
 8. Purchases by a single customer from two different retailers shall not be combined in the same claim. Rather, each retailer shall be the subject of a separate claim by the customer and shall be handled in the manner appropriate to that retailer. Thus, the customer could receive credits at each retailer, multiple checks or a combination of checks and credits, as elected by the customer.
 9. Consumers may opt out of one, two or all three individual publisher settlements. If the consumer opts out of the Hachette settlement, the distribution to that consumer will be reduced by 46%. If the consumer opts out of the HarperCollins settlement, the distribution to that consumer will be reduced by 28%. If the consumer opts out of the Simon & Schuster settlement, the distribution to that consumer will be reduced by 26%.
 10. Unused customer credits shall expire on the first anniversary of the date of crediting. Unused checks shall expire not later than the first anniversary of the initial date of distribution. Undeliverable checks returned by the United States Post Office will be traced and remailed. Checks returned undeliverable a second time will be voided. Reissued checks will expire at the earlier of: a) 90 days from the reissue date; or b) the first anniversary of the initial date of distribution. Any remaining funds shall be distributed in accordance with the Settlement Agreement. At the discretion of the States, any remainder may also be held for future distribution in conjunction with other settlements or judgments.