

MACMILLAN CHILDRENS GROUP
2011 U.S. RETAIL COOP ADVERTISING AND PROMOTIONAL ALLOWANCE POLICY

This statement of policy covers books and physical audio products (*i.e.*, CDs) sold by Macmillan under the following imprints: *Holt BFYR, FSG BFYR, SMP Trade (Juvenile), Priddy Books, Roaring Brook, Feiwel & Friends, Macmillan Young Listeners, First Second, and Square Fish*, as well as teen physical audio products sold under the *Macmillan Audio* imprint ("Publisher").

I. ANNUAL PROMOTIONAL ALLOWANCE PLAN

A. How Much Coop Is Available To Retailers

Publisher will calculate a separate annual promotional allowance pool for each retailer as follows:

Existing Retailers – The retailer’s pool will be 3% of the retailer’s net purchases (both directly from Publisher and indirectly through wholesalers) of Publisher’s books and products for the prior calendar year.

New Retailers - A retailer will be considered a new retailer by Publisher until it has done business with Publisher for a full calendar year. Publisher will allocate pools for new retailers based on reasonable projections of net purchases for the year. (The projections will be subject to adjustment during the year and may take into account a prior partial year.) Amounts spent in excess of the applicable percentage of the year’s actual net purchases will be deducted from the following year’s corresponding pool. After the first year, the calculation for existing retailers will apply.

B. How Available Allowance May Be Used

- Subject to the approval requirements set forth in Section I.E., a retailer may draw against its available pool for any of the following promotional activities (provided in each case that the title promoted is appropriately featured and the activity occurs within a reasonable time frame for the marketing of the title):

- Retailer-produced bookmarks, posters or bags
- Customer mailings
- Retailer newsletters, magazines, brochures or circulars or social networking sites
- Print, radio or television advertisements
- Advertisements on others’ websites
- Retailer seasonal, holiday or special interest catalogs
- Author events
- (Other types of promotions will be considered for approval by Publisher).

For each of the above, the retailer will be credited with the retailer’s actual cost for the promotional activity. (However, where the retailer has a standard or customary charge that it charges other publishers, Publisher will consider for approval the retailer’s standard or customary charge.) Credits will be charged against the retailer’s pool.

- In addition, a retailer can draw against its pool for: (a) feature display in storefronts, windows, endcaps and special featured-book tables (other kinds of prominent face-out feature display will be considered for approval); and (b) promotional discounting below what the retailer would otherwise charge for the title. Feature display must be for a minimum period of one week. Allowances for feature display and discounting will be calculated as follows:

	Allowance from Pool
All Trade Paper and Board Books (except Priddy Books)	8% of suggested retail price per copy purchased for the promotion not to exceed \$1.25 per copy
All Hardcover and Paper Over Board (except Priddy Books)	6.5% of suggested retail price per copy purchased for the promotion not to exceed \$2.00 per copy
Priddy Books (All formats) and Macmillan Young Listeners (Incl. book/audio combos)	4% of suggested retail price per copy purchased for the promotion not to exceed \$0.75 per copy

- A retailer may also draw against its pool for special promotions on the retailer’s website. Where a retailer has a standard or customary charge for that type of promotion on the retailer’s website, the allowance will be the retailer’s standard or customary charge (not to exceed twice the allowance in the chart in Section 2 above). If the retailer does not have a standard or customary charge, the allowance will be the greatest of:

- (a) the amount in the chart in Section 2 above;
 - (b) \$25 when the title is featured on the home or other prominent page on the retailer’s website without a photograph of the jacket/cover/author and includes at least 25 words of copy; or
 - (c) \$50 when the title is featured on the home or other prominent page on the retailer’s website with a photograph of the jacket/cover/author and includes at least 25 words of copy.
- This plan is for 2011 promotions; any unused portion of a pool may not be carried over to the next year.

- Publisher reserves the right not to provide promotional allowance for an activity by a retailer that places disproportionate emphasis on a single title and will not provide allowance for an activity that inappropriately places undue emphasis on a single geographic area.
- If a special promotion proposed by a retailer and approved by Publisher involves the use of materials supplied by Publisher, the cost of the materials will be charged against the retailer’s pool. Publisher will allow retailers to use, upon request and without charge, book excerpts of designated titles in electronic form for promotional purposes on retailers’ websites; retailers should consult their sales rep for availability of particular titles.

C. Author Events

- Retailers may draw on their annual pool for author events as provided in Section B. above.
- Retailers can also earn (subject to obtaining any approval required in Section I.E.) promotional allowances outside their pool for author events by placing a supporting order for the event as follows: the total allowance for an author event will be equal to the retailer’s actual cost for the event, but not more than 10% of the suggested retail price of the supporting order of the author’s book or product purchased specifically for that event or \$250, whichever is less. Author-event expenses other than advertising, invitations, brochures, circulars and posters may not exceed 25 percent of the allowance claimed. (If a retailer claims this allowance for an author event, the supporting order cannot be used by the retailer to claim any other allowance.)

D. Newsletters

- A retailer may draw on its annual pool for newsletter promotions as provided in Section B. above.
- The requirement that a retailer document its actual costs will be waived for newsletter promotions claims up to the following amounts:
 - (a) \$25 (or, if the retailer has a standard or customary charge for inclusion in its printed newsletter, the retailer’s standard or customary charge up to \$75¹) when the title is featured without a photograph of the jacket/cover/author and includes at least 25 words of copy; and
 - (b) \$50 (or, if the retailer has a standard or customary charge for inclusion in its printed newsletter, the retailer’s standard or customary charge up to \$150²) when the title is featured with a photograph of the jacket/cover/author and includes at least 25 words of copy.

In either case, the newsletter promotion must be accompanied by two weeks of in-store feature display. (These allowances will be charged against the retailer’s pool. Titles for which the above newsletter allowance is claimed may not additionally be submitted for in-store feature display allowance.)

E. Approval

- Unless otherwise announced, all titles of the covered imprints are eligible for promotion.
- For promotions under \$250, unless otherwise stated elsewhere in this policy, no prior approval is necessary if the promotion complies with all the terms of this policy and the retailer has sufficient money available in its pool. For promotions that exceed \$250, prior approval is required. Retailers scheduling promotions for which no prior approval is required should consider confirming with Publisher in advance that the promotion is eligible for allowance and that funds are available in the retailer’s pool.

II. ALTERNATIVE PLAN

¹ This exception does not apply to electronic newsletters.
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A. A retailer may elect a title-by-title plan instead of the annual pool plan described in Part I above.

B. A retailer who elects the title-by-title plan may select up to twelve *Priddy Books* titles as well as up to twelve titles combined from all other Macmillan Childrens Group imprints during the year for promotion. The amount available for a retailer to earn by promoting a title will be based on the number of copies in the retailer's supporting order of the title purchased for the specific promotion. The maximum for a title will be the lower of any Publisher announced maximum for that title or:

Suggested Retail Price	Allowance
\$20.00 and up	\$1.00 per copy purchased for the promotion
\$15.00 - \$19.99	\$0.75 per copy purchased for the promotion
\$10.00 - \$14.99	\$0.50 per copy purchased for the promotion
Below \$10.00	\$0.25 per copy purchased for the promotion

C. The amount stated in B. above is the maximum amount available to promote a title under the Alternative Plan. The actual amount earned for any particular approved promotion is covered by the other terms of this policy applicable to that type of promotion.

D. In the case of an author event, if the retailer's actual cost of the event exceeds the amount calculated under Part 1, Section C.2., the retailer may calculate its allowance under Section B. above available for the author event by including other copies of the title purchased by the retailer (i.e., copies purchased other than the supporting order for the author event).

E. Retailers who elect this alternative plan may not also claim allowance under the annual pool plan at any time during the year.

F. A retailer who elects this title-by-title plan must confirm its election with Publisher. If a retailer elects this title-by-title plan, the title selection and all promotions will require prior approval of Publisher.

III. ADDITIONAL PROMOTIONAL OPPORTUNITIES

Publisher may from time to time announce special promotions involving promotional allowances during a specified period in connection with promotions of specified categories and/or specified frontlist and/or backlist titles. Publisher may also announce special regional promotions. Promotional allowances earned in regional promotions will be based on purchases for stores in that region. Announcements will be available at the following website: www.macmillan.com.

IV. GENERAL TERMS APPLICABLE TO ALL PROMOTIONS

A. Promotional allowances will take the form of a MPS credit to the retailer's account or, where appropriate, a pass-through credit to a wholesaler. Retailer performance of promotions is subject to verification and audit; allowance for promotions that are not fully performed must be repaid by the retailer.

B. To submit a claim the retailer should send a claim memo along with any required documentation to the address listed at the end of this policy. The claim memo should outline the details of the promotion, the amount being claimed and assign a claim number (chosen by the retailer) to the claim. The claim number will be the reference number used when the credit is posted to the retailer's account, allowing the retailer to track when its account has been credited.

C. Documentation will be required for promotions as follows:

For Print Advertising:

Tearsheet of each ad showing the date and name of each newspaper and magazine where the ad has run, or the entire periodical. (Photocopies are acceptable.) Documentation is not required for print advertising run in support of author events.

For Radio and Television Advertising:

Copy of the radio/TV script and affidavit of performance from the station showing the run date(s) of the ad.

For Flyers, Catalogs, Posters, Brochures, Newsletters, Bookmarks, etc.:

Copy of the flyer, catalog, poster, brochure, newsletter, bookmark, etc., bearing the imprint of the account, and a statement of the number of pieces distributed with a description of how, when and to whom the piece was distributed.

For Internet/Website Advertising and Promotions:

Screen print of actual advertisement/promotion with a statement of duration and the web address for the site where the ad or promotion ran.

For Other Promotions:

Retailers should keep a record of all other promotions; reasonable documentation must be provided upon request.

In addition, whenever the amount credited is to be based on the retailer's cost, documentation of the cost must be provided. Where the retailer's activity features books and/or products by multiple publishers, Publisher will provide credit only for a prorated share of the retailer's actual cost.

D. In order to use indirect purchases in the calculation of its annual promotional allowance pool, a retailer must provide documentation of the amount of its annual net purchases from wholesalers in the form of copies of documentation from the wholesaler certifying the net purchases during the year. Documentation in the form of the retailer's own regularly kept business records is also acceptable. Documentation should be in electronic form. However, Publisher will accept documentation in print-on-paper form but Publisher reserves the right not to accept print-on-paper documentation that does not show net purchase price subtitled by product type and imprint group. (Where no records are available of the exact quantities of indirect purchases, a good faith reasonable estimate based on available data may be used with the approval of Publisher.) Please contact the Customer Promotions Department for further details. The due date for documentation is March 31. Amounts of indirect purchases are subject to verification and audit.

E. Where the amount of the allowance is based on the number of copies purchased and the actual number to be purchased is not available at the time of approval, a good faith reasonable estimate of the number of copies to be purchased may instead be used to calculate the allowance with the approval of Publisher.

F. If the retailer has a standard or customary charge for a promotional effort or service that it charges other publishers, the retailer may not claim a promotional allowance in excess of that standard or customary charge.

G. The deadline for the submission of all claims for promotional allowances is 90 days after the promotional activity has been completed.

H. Publisher reserves the right not to accept a claim for a retailer's promotional activity that contains an error such as the misspelling of the author's name, an incorrect title or pub month or the wrong jacket or cover or that is otherwise inaccurate, inappropriate or potentially damaging to the author or the sales of the book or product.

I. In the event that a retailer's pool is overcommitted due to administrative or other error, the amount spent in excess of that pool will be deducted from the retailer's pool for the following year.

J. These promotional allowances are not available to retailers who purchase books and products on a nonreturnable basis.

K. These promotional allowances are not available to retailers who are on credit hold.

L. Publisher will not accept claims for 2011 promotions after March 31, 2012.

M. The address to send coop claims is:

Macmillan
Customer Promotions Department
175 Fifth Avenue
New York, N.Y. 10010
Attn: Customer Promotions Manager, ph (646) 307-5428

Coop claims should not be sent with monthly remittances.