

MACMILLAN ADULT
2012 U.S. RETAIL COOP ADVERTISING AND PROMOTIONAL ALLOWANCE POLICY

This statement of policy covers trade and mass market books sold by St. Martin's Press, LLC, Picador, Tom Doherty Associates, LLC, Henry Holt and Company, LLC, and Farrar, Straus and Giroux, LLC (each a "Publisher") under the following imprints:

St. Martin's Press, St. Martin's Griffin, St. Martin's Minotaur, Picador, Tor /Forge, Orb, Palgrave Trade, Tor/Forge Mass Market, St. Martin's Mass Market, Farrar Straus and Giroux, Hill & Wang, Faber & Faber, Henry Holt, Metropolitan Books, Owl Books, and Times Books.

A Retailer may choose one of the following three plans covered under Sections I, II, and III below.

I. ANNUAL PROMOTIONAL ALLOWANCE POOL PLAN

A. How Much Coop Is Available To Retailers

Publisher will calculate five separate annual promotional allowance pools -- "Broadway Trade", "Holt" and "FSG" (for covered trade imprints sold by Macmillan's "Broadway" sales division), "Fifth Avenue Trade" (for covered trade imprints sold by Macmillan's "Fifth Avenue" sales division), and "Mass Market" (for covered mass market imprints). Publisher will calculate¹ the pools for each retailer as follows:

Existing Retailers –

(a) The Broadway Trade, Holt, FSG, and Fifth Avenue Trade pools will each be 3% of the retailer's net purchases (both directly from Publisher and indirectly through wholesalers) of books of that sales division's covered trade imprints or titles for the prior calendar year.

(b) The Mass Market pool will be 1.5% of the retailer's net purchases (both directly from Publisher and indirectly through wholesalers) of covered mass market books 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 of titles covered by each pool 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

1. 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, 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 applicable pool.

2. In addition, a retailer can draw against its pools 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:

Trade:

ALLOWANCE FROM POOL	
All Trade Paper	8% of suggested retail price per copy purchased for the promotion not to exceed \$1.25 per copy.
All Hardcover	6.5% of suggested retail price per copy purchased for the promotion not to exceed \$2.00 per copy.

Mass Market:

ALLOWANCE FROM POOL	
All Mass Market	6% of suggested retail price per copy purchased for the promotion.

3. 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.

4. Each of a retailer's pools is entirely separate and may not be combined; accordingly, credit for a promotional activity may be drawn only from the pool that covers the title promoted.

5. This plan is for 2012 promotions; any unused portion of a pool may not be carried over to the next year.

6. 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.

7. 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 applicable 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

1. Retailers may draw on their annual pools for author events as provided in Section B. above.

2. Retailers can also earn (subject to obtaining any approval required in Section I.E.) promotional allowances outside their pools 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 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

1. A retailer may draw on its annual pools for newsletter promotions as provided in Section B. above.

2. The requirement that a retailer document its actual costs will be waived for newsletter promotion 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 \$75²) 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 \$150³) 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 applicable pool. Titles for which the above newsletter allowance is claimed may not additionally be submitted for in-store feature display allowance.)

¹For clarity, sales of imprints not covered by this policy, will not count in the calculation of pools.

² This exception does not apply to electronic newsletters.

³ This exception does not apply to electronic newsletters.

E. Approval

- 1. Unless otherwise announced, all titles of the covered imprints are eligible for promotion.
- 2. 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 applicable pool. For promotions that exceed \$250, prior approval of Publisher 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 applicable pool.

II. TITLE-BY-TITLE PLAN

- 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 18 titles combined published by St. Martin’s Press, LLC, Picador and Tom Doherty Associates LLC, up to 12 titles published by Henry Holt and Company, LLC and up to 12 titles published by Farrar, Straus and Giroux, LLC 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:

Trade:

Suggested Retail Price	Allowance
\$15.00 and up	\$1.00 per copy purchased for the promotion
\$10.00 - \$14.99	\$0.75 per copy purchased for the promotion
\$5.00 - \$9.99	\$0.50 per copy purchased for the promotion
Below \$5.00	\$0.25 per copy purchased for the promotion

Mass Market:

Suggested Retail Price	Allowance
\$5.99 and up	\$0.30 per copy purchased for the promotion
Below \$5.99	\$0.20 per copy purchased for the promotion

- C.The amount stated in B. above is the maximum amount available to promote a title under the Title-by-Title 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 Part 2, 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 title-by-title 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. RETAIL COMMUNITY MARKETING PLAN (RCMP)

- A. **Selecting the RCMP:** A retailer may select this RCMP plan instead of the annual pool plan described in Part I above or the title-by-title plan described in Part II above. The RCMP is designed to simplify the co-op process between retailers and Macmillan by eliminating much of the paperwork, approval process and bookkeeping associated with the traditional annual pool plan and the title-by-title plan. To participate in the RCMP, retailers must commit to performing all of the applicable promotional activities described in Part III.C. below for calendar year 2012.
- B. **Coop Calculation under the RCMP:** A retailer who selects the RCMP will receive coop in two ways:
 - 1. **Direct Purchases** – Retailers will receive an additional 1.5% discount for adult and children’s purchases made directly from Macmillan of Publisher trade and mass market books above the applicable stated discounts on the Macmillan U.S. Retail Discount Schedule (Returnable) for Trade and Mass Market Books and Products and the Macmillan U.S. Retail Distribution Center Discount Schedule (Returnable) for Trade and Mass Market Books at the time of purchase, as shown on their MPS invoice. In all other respects Macmillan’s standard terms of sale will apply (including minimum order quantities).
 - 2. **Indirect Purchases** – Publisher will calculate an annual promotional allowance pool for each retailer based on indirect purchases as follows:

Existing Retailers: The indirect purchases pool will be 1.5% of the retailer’s net purchases made indirectly through wholesalers for the prior calendar year of (i) trade and mass market books sold under the imprints listed at the beginning of this policy as well as; (ii) books sold under the following imprints: *Holt BFYR, FSG BFYR, SMP Trade (Juvenile), Priddy Books, Roaring Brook, Feiwel & Friends, First Second, and Square Fish.*

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 an indirect purchases pool for new retailers based on reasonable projections of net purchases made indirectly through wholesalers 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 pool based on actual net indirect purchases will be deducted from the following year’s corresponding pool. After the first year, the calculation for existing retailers will apply.

Use of the Indirect Purchases Pool: A retailer may draw against its available indirect purchases pool allowance for any of the promotional activities set forth in the annual pool plan described in Part I above, and all of the terms and conditions of the annual pool plan will apply to the use of the retailer’s RCMP indirect purchases pool funds

C. Promotional Requirements Under the RCMP

- 1. Retailers with *physical retail locations* electing the RCMP must perform all of the following promotional activities:
 - a. Feature Publisher books and products prominently in **each** of its retail locations, on the retailer’s website(s) and in the retailer’s newsletters, or other consumer communications where applicable, at levels equal to or greater than the retailer’s historical promotional levels for Publisher books and products.
 - b. Provide Publisher with current email addresses for key store staff at **each** of its retail locations and agree to receive targeted publicity or marketing email communications from Publisher at those email addresses.
 - c. Actively promote and discuss from **each** of its retail locations at least 8 titles published under any of the “Covered Imprints”⁴ every month on **social media**. The social media activity must be associated with the individual store location and carried out by the staff at that location.
 - d. Each selling season choose at least 8 books and/or products that are initially published under any of the Covered Imprints during that selling season and 4 backlist books and/or products published under any of the Covered Imprints for feature display in storefronts, windows, endcaps and special featured-book tables (or other equally prominent face-out feature display) in **each** of its retail locations. Feature display must be for a minimum period of one week.
- 2. Retailers whose *on-line sales of physical books and products sold by the Covered Imprints exceed 50% of their total sales of physical books and products sold by the Covered Imprints* electing the RCMP must perform all of the following promotional activities (Note: retailers whose online sales meet this threshold and who also have physical retail locations are not required to perform the promotional activities outlined in Section III(C)(1) above):
 - a. Feature Publisher books and products prominently on the retailer’s website(s) and in the retailer’s newsletters, where applicable, at levels equal to or greater than the retailer’s historical promotional levels for Publisher books and products.
 - b. Actively promote and discuss at least 8 titles published under any of the Covered Imprints every month on **social media**. The social media activity must be associated with the on-line retailer and carried out by staff at the on-line retailer.
 - c. Feature a minimum of 8 titles published under any of the Covered Imprints every month on the retailer’s primary books homepage. The featured titles may rotate within a given month but each of the 8 titles must be featured on the retailer’s primary books homepage for at least one week.
 - d. Feature on each of the retailer’s primary book category (i.e. genre) or landing pages, to the extent the Covered Imprints sell appropriate books and/or products, a minimum of 6 titles published under any of the Covered Imprints every month. The featured titles may rotate within a given month but each of the 6 titles must be featured on the applicable genre or landing for at least one week.
 - e. Each selling season promote a minimum of 12 books and/or products published under any of the Covered Imprints via email solicitations, special promotional themes (i.e., Valentine’s Day, Father’s Day, Christmas) or other similar consumer outreach promotions.

4 The “Covered Imprints” include all of the imprints listed at the beginning of this policy and the following additional imprints: *Holt BFYR, FSG BFYR, SMP Trade (Juvenile), Priddy Books, Roaring Brook, Feiwel & Friends, First Second, Square Fish, Macmillan Audio and Macmillan Young Listeners.* For clarity, Macmillan will allow Audio products promoted under Sections C(1) and C(2) to count toward compliance standards but Audio products will not receive extra discount.

D. **Documentation:** Macmillan will provide participating retailers with advance seasonal confirmation forms containing a listing of titles recommended for promotion during the upcoming selling season, as well as spaces for retailer title write-ins. Prior to each selling season retailers are required to submit a completed form to Macmillan at least one month in advance of the retailer's first planned promotion for that season confirming:

1. For physical retailer based promotions: (i) the titles and social media by store location selected to fulfill section C(1)(c) above for each month falling within that selling season; and (ii) the titles and dates of display by store location selected to fulfill section C(1)(d) above during that selling season.
2. For online retailer based promotions: (i) the titles and social media selected to fulfill section C(2)(b) above for each month falling with that selling season; (ii) the titles selected to fulfill section C(2)(c) for each month falling within the selling season; (iii) the primary book category and/or landing pages and titles selected to fulfill section C(2)(d) for each month falling within the selling season; and (iv) the titles and type of promotional activity selected to fulfill section C(2)(e) during that selling season.
3. The confirmations should be sent to the retailer's sales representative or to Coop@macmillanusa.com, Attn: Customer Promotions Manager.

E. Retailer performance of required promotional activity is subject to verification and audit. Failure by a retailer to comply with the requirements of the RCMP may result in Publisher's removal of the retailer from the RCMP at any time. Retailers removed from the RCMP for non-compliance (or due to credit hold per Part VI(B) below) must wait 6 months to reapply for participation in the RCMP and, if approved, will re-enter the RCMP on January 1 of the next calendar year.

F. Retailers who elect the RCMP waive their eligibility to receive coop allowances under the following additional coop advertising and promotional allowance policy: Macmillan Childrens Group 2012 U.S. Retail Coop Advertising and Promotional Allowance Policy.

G. The deadline for retailers to confirm their election of the RCMP for 2012 with Publisher is January 31, 2012.

H. The deadline for retailers participating in the 2012 RCMP to notify Publisher that they will not participate in the 2013 RCMP is December 31, 2012.

I. Returns: Pursuant to Macmillan's terms of sale, a blended average returns rate is established each year to process returned merchandise. Accounts that enroll in the 2012 RCMP will have an additional 1.5% added to their average returns rate for Macmillan adult and children's trade and mass market books on May 1, 2012. The added 1.5% will continue to apply so long as the account remains a participant in the RCMP, and for the first four months following the account's withdrawal from the RCMP.

IV. 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 also may 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.

V. GENERAL TERMS APPLICABLE TO ALL PROMOTIONS UNDER THE ANNUAL POOL PLAN (PART I), THE TITLE-BY-TITLE PLAN (PART II), AND USE OF THE INDIRECT PURCHASES POOL (PART III(B)(2))

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 the required documentation described below 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 or other appropriate proof of performance. (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 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 any of its annual promotional allowance pools, a retailer must provide documentation of the amount of its annual net purchases from wholesalers (showing Broadway Trade, Fifth Avenue Trade, Holt, FSG and Mass Market separately) 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 subtotaled 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.

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 corresponding pool for the following year.

J. Publisher will not accept claims for 2012 promotions after March 31, 2013.

K. The address to send coop claims is:

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

Or email coop@macmillanusa.com

Coop claims should not be sent with monthly remittance.

VI. GENERAL TERMS APPLICABLE TO ALL THREE PLANS: THE POOL PLAN (PART I), THE TITLE-BY-TITLE PLAN (PART II), AND THE RETAIL COMMUNITY MARKETING PLAN (PART III).

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

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