

PAPERCUTZ 2011 U.S. RETAIL COOP ADVERTISING AND PROMOTIONAL ALLOWANCE POLICY

This statement of policy covers trade books published by PaperCutz ("Publisher") and distributed by Macmillan.

I. ANNUAL PROMOTIONAL ALLOWANCE PLAN

A. How Much Coop Is Available To Retailers

Publisher will calculate promotional allowances for each retailer as follows:

A retailer may select up to 3 titles in each selling season for promotion. The allowance for each title will be 4% of the Publisher's suggested retail price multiplied by the number of copies purchased (both directly from Macmillan and indirectly through wholesalers) for the promotion. The retailer may choose the titles for promotion, subject to Publisher's approval. The allowance earned on a title must be used to promote that same title.

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 allowance for a title 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 the Publisher)

For each of the above (except for author events, which will be credited as set forth in Section C), 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 allowance for the title.

2. In addition, a retailer can draw against its allowance for a title 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.
3. A retailer may also draw against its allowance for a title 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) \$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
(b) \$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. 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.

5. 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 allowance. 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. 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.)

2. If the retailer's actual cost of the event exceeds the amount calculated in Part 1, Section C.1., the retailer may calculate its allowance under Section C.1. 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) so long as the total does not exceed \$500.

D. Newsletters

1. For each selling season, a retailer may select 1 extra title for newsletter promotion in addition to the 3 titles already available for newsletter promotion as provided in Section A above.
2. A retailer may draw on its per-title allowance for newsletter promotions as provided in Section B. above.
3. 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 \$75) 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 \$150) 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. (Titles for which the above newsletter allowance is claimed may not additionally be submitted for in-store feature display allowance.)

E. Approval

1. Unless otherwise announced, all titles of the covered imprints are eligible for promotion.
2. Prior approval by the Publisher is necessary for every retailer promotion.

II. 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.

III. 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 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 allowances, a retailer must provide documentation of the amount of its net purchases of the title selected for promotion from wholesalers in the form of copies

of documentation from the wholesaler clarifying the purchases of that title. 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. 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.) **The due date for this documentation is at the time approval of the promotion is requested by the retailer.** 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. These promotional allowances are not available to retailers who purchase books on a nonreturnable basis.
- J. These promotional allowances are not available to retailers who are on credit hold.
- K. **Publisher will not accept claims for 2011 promotions after March 31, 2012.**
- L. **The address to send coop claims is:**
Macmillan
Customer Promotions Department
175 Fifth Avenue
New York, N.Y. 10010
(646) 307-5428

Coop claims should not be sent with monthly remittances.

1 This exception does not apply to electronic newsletters.
2 This exception does not apply to electronic newsletters.

