EXHIBIT U
PART 1 OF 6
Google Book Search: Past, Present and Future

Jon Orwant, Tools of Change, Feb 10, 2009
Goals of Google Book Search

- Make books as easy to find as web pages
- Improve users’ ability to discover and access books in ways that respect copyright and create opportunities for authors and publishers
- Become a platform for searching, discovering, reading, and buying
we can use Excel's built-in formulas for a constant annuity in arrears to do calculations for a growing annuity in arrears by substituting a (growth) adjusted discount rate \( k \) for the regular discount rate \( r \).

It is important to note that for the equivalence to work, the first cash flow for the growing annuity in arrears has to be \( A(1 + g) \) and not \( A \). If in a problem the first cash flow for a growing annuity in arrears is given as \( \$1,000 \) and the growth rate is 5%, and you want to use the constant annuity formula or Excel's built-in functions to do the calculations, then in addition to using the adjusted discount rate \( k \), you will have to use \( \$1,000 \times 1.05 \) for \( A \).

We can write the future value for the same growing annuity in arrears as:

\[
FVG_a = A(1 + g) (1 + r)^{n-1} + A(1 + g)^2 (1 + r)^{n-2} + \cdots + A(1 + g)^n
\]

To make this formula look like the formula for the constant annuity in arrears, we have to divide both sides of this equation by \((1 + g)^n\) to get:

\[
\frac{FVG_a}{(1 + g)^n} = \frac{A(1 + g) (1 + r)^{n-1}}{(1 + g)^n} + \frac{A(1 + g)^2 (1 + r)^{n-2}}{(1 + g)^n} + \cdots + \frac{A}{(1 + g)^n}
\]

As before, if we substitute \((1 + k)\) for \((1 + r)/(1 + g)\) in the right-hand side of this formula, it would look the same as the right-hand side of the corresponding formula for constant annuity in arrears with \( k \) substituted for \( r \). So to calculate \( FVG_a \) using the formula for constant annuity in arrears or Excel's built-in functions for a constant annuity in arrears, we have to (1) substitute the adjusted discount rate \( k \) for the regular discount rate \( r \), (2) use for \( A \) the first cash flow divided by \((1 + g)\) (as explained before), and (3) multiply the value for future value we get from the

Financial Modeling Using Excel and VBA By Chandan Sengupta
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Most Traffic from Google.com Blending

Fall 2007-2008

- Google Book Search
- GData API
- Google.com
Other Ways Books Are Surfaced

Showing books on Google.com when queries match...

...author

**Books by William Shakespeare**

*Hamlet* - 2002 - 350 pages
*Macbeth* - 2002 - 280 pages
*A Midsummer Night's Dream* - 1998 - 244 pages

...titles

**Freakonomics: A Rogue Economist Explores the...**

by Stephen D Levitt - 2005 - 268 pages

...topics

**Book results for roman history**

*The History of the Decline and Fall of the...* - by Edward Gibbon - 569 pages
*Stories from Roman History* - by Lena Dalkeith - 59 pages
*A History of the Roman World to BC* - by HH Howard Hayes Scullard - 580 pages

...book content

**How to Organize (Just About) Everything: More Than 500...** - Google Books Result
by Peter Walsh - 2004 - Self-Help - 576 pages
See 70 Organize Entryways and ... Sort Your Sock Drawer Argyles mixing with stockings?...
1 Pull all socks out of the drawer and onto a bed or table ... books.google.com/books?isbn=0743254945...
Using OCR technology to convert images to text

"Because I made a blunder, my dear Watson—which is, I am afraid, a more common occurrence than anyone would think who only knew me through your memoirs. The fact is, that I could not believe..."

1.5M public domain books
iPhone and Android phones
http://books.google.com/m
"Best paper-writing tool ever: Google Books. I can never remember where quotes come from in a book, so just do a little search, and BAM" - christferan

"Google releases Mobile Book Search http://tinyurl.com/bn8a3t for iPhone. Need a longer lasting battery: Ulysses is a long read." - BillGreer

Source: Tweets from Twitter, ~2/9/09
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Four APIs for Google Book Search

The Dynamic Linking API, which provides "smart hyperlinks" that let web page owners link to a GBS book without having to know the explicit URL.

The Embedded Viewer API, which lets web page owners embed Google-hosted content on their own site.

The AJAX Search API, which lets web page owners include a book search box on their own site.

The GData API, which provides programmatic search for books and information about books; and (when authenticated) change information specific to a user's account, such as which books are in a user's library.
API Usage in Retailer Sites

- Full text book-level search on sites where readers are purchasing books
- Preview buttons on titles that are in Google Book Search
- Security is the same as on Google Book Search site
- Content always hosted by Google
API Usage in Social Networks

✓ Buy This Book links to your site
✓ Viral marketing via fan sites and social networks
✓ Author site enhancement
Preview Button

Automatically appears as soon as the book goes live

- detects user's country to match your territorial settings

Jean-Jacques Rousseau: Restless Genius
First Edition
by: Leo Damrosch

Mariner Books
ISBN-13/EAN: 9780618872022; $15.95
ISBN-10: 0618872027
Trade Paperback; 576 pages
Publication Date: 08/14/2007
Illustrations: b/w illustrations and photos throughout
Trim Size: 6.00 x 9.00
Carton Quantity: 24

Link to Book Search or make a pop-up on your site
MH Professional Group's history with Google Book Search

2004

- Joined Google Book Search Partner Program
- Pilot list of ~1,000 titles

2008 YTD

5,416 titles in the program
- 4,520 titles live
- 896 titles currently in process
GBS results at MH since launch

- Content
  - Over 100% of titles were viewed at least once
  - Over 193 million book pages have been viewed
  - Over 24 million book visits
- Commerce
  - 683,000 users clicked on Buy this Book

<table>
<thead>
<tr>
<th>Year</th>
<th>BV with BTB Clicks</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>155,672</td>
</tr>
<tr>
<td>2008 YTD</td>
<td>144,124</td>
</tr>
</tbody>
</table>

- Top 30 titles: Our long tail
- Accounted for 8% of total book visits
Long Tail Lesson #1: Search is backlist driven

Top 30 titles are distributed over 13 years.

- 7 titles published in 2000
- 1 title published in 1996

- Top 30 Titles by Pub Year
What are the benefits of GBS?

**Increased revenue**
- No evidence that GBS harms sales, strong argument that search enhances backlist sell-through
- Incremental ad revenue is 82% through August 2008 over PY
- Future opportunities to monetize content
- Direct sales from referrals to McGraw-Hill
- Potential POD Candidates identified

**Enhanced discoverability**
- Attract potential buyers who might not be thinking about books initially
- Referrals for potential purchase via Buy the Book click-through
- Co-branded search on the company web site

**Product Development**
- Heightened awareness of what subjects are popular in the online search
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AVERAGE VISITS PER TITLE

<table>
<thead>
<tr>
<th>Period</th>
<th>Title Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; 1990</td>
<td>338</td>
</tr>
<tr>
<td>1990-1994</td>
<td>260</td>
</tr>
<tr>
<td>1995-1999</td>
<td>248</td>
</tr>
<tr>
<td>2000-2004</td>
<td>273</td>
</tr>
<tr>
<td>2005-2008</td>
<td>234</td>
</tr>
</tbody>
</table>
Number of "Buy this book" Clicks

<table>
<thead>
<tr>
<th>Year Range</th>
<th>Clicks</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; 1990</td>
<td>7,709</td>
</tr>
<tr>
<td>1990 - 1994</td>
<td>5,067</td>
</tr>
<tr>
<td>1995 - 1999</td>
<td>8,908</td>
</tr>
<tr>
<td>2000 - 2004</td>
<td>13,011</td>
</tr>
<tr>
<td>2005 - 2008</td>
<td>9,052</td>
</tr>
</tbody>
</table>

Titles Live by Pub Date:
- < 1990: 4,077
- 1990 - 1994: 3,058
- 1995 - 1999: 2,043
- 2000 - 2004: 2,700
- 2005 - 2008: 3,548
Life of Program Stats for OUP

- 15,564 titles live
- 143,822,674 book pages viewed
- 734,818 "buy the book" clicks
- 47.21 buy click per book on average
- $40 Average book price

<table>
<thead>
<tr>
<th>Buy %</th>
<th>Buys</th>
<th>Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>1%</td>
<td>7,348</td>
<td>$293,927</td>
</tr>
<tr>
<td>2%</td>
<td>14,696</td>
<td>$587,854</td>
</tr>
<tr>
<td>3%</td>
<td>22,045</td>
<td>$881,782</td>
</tr>
<tr>
<td>4%</td>
<td>29,393</td>
<td>$1,175,709</td>
</tr>
<tr>
<td>5%</td>
<td>36,741</td>
<td>$1,469,636</td>
</tr>
<tr>
<td>6%</td>
<td>44,089</td>
<td>$1,763,563</td>
</tr>
<tr>
<td>7%</td>
<td>51,437</td>
<td>$2,057,490</td>
</tr>
<tr>
<td>8%</td>
<td>58,785</td>
<td>$2,351,418</td>
</tr>
<tr>
<td>9%</td>
<td>66,134</td>
<td>$2,645,345</td>
</tr>
<tr>
<td>10%</td>
<td>73,482</td>
<td>$2,939,272</td>
</tr>
</tbody>
</table>
Google and Springer in 2008

More than 37,000 fully searchable titles in Google

55 million Book Visits (Visitors)

343 million Unique Page Views

800,000 Users Clicked to Buy

99% of the books have been viewed at least once.....!!

89% of the books have received at least one Buy Click
Impact of Google Book Search on Backlist Sales

* Compared sales data from Springer.com (~€1.8 million in revenue)
* Compared sales of books that were in the Google Book Search to sales of titles that were not in the program
* The biggest impact was seen in titles published more than 4 years ago
  - Titles in GBS, especially older titles, performed significantly better than titles not in the program.

Source: https://books.google.com and Springer.com statistics, excl. Apopsis
Not just McGraw-Hill, OUP, and Springer...

Every day, users preview
- 40% of partner books
- 17% of public domain books

Every month, users preview
- 81% of partner books
- 78% of public domain books
Improved Market Intelligence

✅ Visual timeline of traffic data
✅ Interactive charts
✅ Imprint-level reporting
Book views
Page views
Traffic by region
Buy the book clicks
Ad revenue
New Insights into Reading and Buying Habits

✓ Anonymous, aggregated data could answer the following questions:
✓ "How much do cover designs attract users?"
✓ "For what books does the Table of Contents affect purchasing decisions?"
✓ "What's the impact of negative reviews on book sales?"
✓ "Does type size matter?"
✓ "Which referring web sites increase sales the most?"
✓ "What terms are searched for most often in a book?"
✓ "What books do people buy instead of this one?"
✓ "Given a book, what other books are people likely to already own?"
✓ "What discounts are most effective?"
✓ "Which pages are most likely to lead to reading the following page?"
✓ "For each of the above questions, how much do they vary by book/genre/imprint/audience level/geography?"
From Images to Structure

✓ Our mobile bookreader has an interesting feature: tap to see the original image.

✓ This is an example of distributing content without being limited to the scan.

✓ Ultimate goal: convert images to “original intent” XML.
Lowering the Transaction Costs, part 1

Transaction cost: $50; book price $5

<table>
<thead>
<tr>
<th>purchases</th>
<th>net</th>
</tr>
</thead>
<tbody>
<tr>
<td>10000</td>
<td>$49950</td>
</tr>
<tr>
<td>100</td>
<td>$450</td>
</tr>
<tr>
<td>10</td>
<td>$0</td>
</tr>
<tr>
<td>1</td>
<td>$(45)</td>
</tr>
</tbody>
</table>

$4950 $450 $0 $(45)
Lowering the Transaction Costs, part II

Transaction cost: $0.50; book price $5

<table>
<thead>
<tr>
<th>purchases</th>
<th>net</th>
</tr>
</thead>
<tbody>
<tr>
<td>10000</td>
<td>$49999.50</td>
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<tr>
<td>100</td>
<td>$499.50</td>
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<tr>
<td>10</td>
<td>$49.50</td>
</tr>
<tr>
<td>1</td>
<td>$4.50</td>
</tr>
</tbody>
</table>
Lowering the Transaction Costs, part III

Transaction cost: $0.50; book price $1

<table>
<thead>
<tr>
<th>purchases</th>
<th>net</th>
</tr>
</thead>
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<tr>
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<td>1</td>
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</tbody>
</table>

Google Confidential and Proprietary
EXHIBIT U
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Settlement Agreement with Authors Guild & AAP

Google

In October 2008, we announced a settlement agreement with U.S. authors and publishers.

If approved by the court, this agreement will:

- Open access to millions of books in the U.S.
- Expand the market for authors and publishers to sell their works
- Continue to bring more of the world's offline content online.
Copyright Status

Public Domain  "The Twilight Zone"
Books published before 1923

In-Print
Available in a bookstore
Books after 1923 but...
- Out of Print
- Orphaned works, or simply unclear copyright status

Less than 20%*
75% or more
Less than 5%**

*OCLC analysis of the Google Books Library Project http://www.dlib.org/dlib/september05/lavoie/09lavoie.html
Scope

The agreement settles existing US lawsuits against Google Book Search.

Agreement is between Google and a class including all US copyright holders (authors, publishers, etc.) for books that we have scanned or are intending to scan.

Agreement only pertains to uses of these books in the U.S.

- Includes international books.
- Does not cover books published after Jan 5, 2009

Covers the following works

- Included: Books
- Excluded: Journals, musical compositions, images
Overview

- Extensive process to notify rightsholders of the agreement.

- Rightsholders have choice as to their participation:
  - Opt out of the settlement
  - Remove books from scanning
  - Select desired access models

- Google is authorized to scan, index, and make non-display uses for all books.

- Several models are defined for providing access to the content of the books. For in-print books, the access models are by default off, for out-of-print books the access models are by default turned on.

- Book Rights Registry formed as an independent organization to represent rightsholders and to collect and distribute revenue.

Google Confidential and Proprietary
Changes to Google Book Search

U.S. readers will be able to search, preview, and purchase access to millions of in-copyright out-of-print books.

From Snippet View...  
...to Sample Pages View

- 20% free to preview
- Can purchase full view of book
- Can purchase institutional subscriptions
- Author and/or publisher receives revenue from sales.
Book Rights Registry

Registry: new nonprofit, jointly managed by publishers and authors

- Enables rightsholders to work with Google
  - provides a way for rightsholders to request inclusion or exclusion of their works from the project, define how they want their rights to be handled
  - collects and pays out revenue from use of their works

- Enables competition and efficient licensing
  - locates rightsholders and maintains accurate database of contact information, making it cheaper and easier for people to make licensing arrangements
  - licenses search engines and other third party services, to the extent authorized by law and rightsholders.
Access Models

• Preview Uses

• Online Consumer Purchase
  • Enable user to buy online access to a single work.
  • Default pricing set by Google using an algorithmic pricing model to maximize revenue for each individual work.
  • Rightsholder able to set price if desired.

• Institutional Subscription
  • FTE pricing for higher educational and corporate markets.

• Public Access Terminal
  • One free on-site "terminal" for all public and university libraries in US.

• Additional models:
  • Print on demand, custom publishing, consumer subscription, PDF downloads.
Consumer purchase

Data shows that browsing leads to buying

Sell immediate online access for your books.

BTB Click Through Rate (All 2008)

CTR %

Pages Read
Coming Soon: Consumer Purchase

- Enable sales directly to consumers from your Book Search previews
- Same robust security as Book Search
- Access via Google account
  - copy/paste allowed up to 30%
  - printable

- Bridge to mobile access
Consumer Purchase Settings

Select which titles to include

Set where books are shown
- books can be purchased by users around the world

Establish pricing
- suggested list price 60% of lowest price print edition
- ability to set 0-100% of lowest price print edition
- set different prices for individual and institutional access

Initial rollout will include US and UK publishers
- English-only interface at launch
Google Books Partner Program

Over 1 Million Books

Over 20,000 Publishers

Over 100 Domains


Google Confidential and Proprietary
Learn more

Sign up for the Google Books Partner Program

http://books.google.com/partner

or meet
Roland Lange
here at ToC