THE HONORABLE JOHN C. COUGHENOUR

UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF WASHINGTON
AT SEATTLE

FEDERAL TRADE COMMISSION,

Plaintiff,

v.

AMAZON.COM, INC.,

Defendant.

No. 2:14-CV-01038-JCC

DECLARATION OF AARON RUBENSON IN SUPPORT OF AMAZON.COM, INC.'S MOTION FOR PARTIAL SUMMARY JUDGMENT

NOTE ON MOTION CALENDAR:

Friday, February 26, 2016

Aaron Rubenson declares:

1. I am a Director of the Amazon Appstore ("Appstore") and have been since July 2011. Prior to that I was a senior manager and the business leader overseeing development of the Appstore from its inception. In effect, I am the senior Amazon executive with direct responsibility for the day-to-day operation of the Appstore. I make this declaration based upon personal knowledge as to which I am competent to testify.

2. Since its founding, Amazon's mission has been to be "the Earth's most customer-centric company." To this end, Amazon has built its business on customer trust because that trust is essential to Amazon's business model, which relies fundamentally on having customers turn to Amazon time after time when they seek to make convenient, reliable purchases of a wide

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range of physical and digital products. This commitment is reflected in a 1997 "letter to shareholders" from Amazon's founder and CEO, Jeff Bezos. Attached as **Exhibit A** is a true and correct copy of Mr. Bezos's 1997 letter to shareholders.

3. Amazon has implemented this approach through such innovations as its "1-Click" purchasing system (which uses securely stored billing and shipping information so customers can seamlessly make a purchase with a single click), Amazon Prime membership (which provides free two-day shipping of physical products and free access to a large volume of digital content), the Kindle e-reader (which enables customers to place an entire library of books onto a single device), Kindle Fire tablets (which facilitate easy access to and purchase of Amazon books, videos, music, apps, and other digital products), and award-winning customer service.

4. In 2011, Apple led the relatively new business of selling or offering apps for download, many of which also offered digital items for purchase within the app. Examples of such "in-app purchases" for game apps include extra game levels, characters, weapons, or other accessories. Apple had popularized apps for its iPad and iPhone, and the concept of in-app purchasing spread to other tablets and smartphones, particularly those based on Google's Android operating system. Google had its own app store.

5. Amazon launched the Amazon Appstore for Android and began selling apps for other companies' devices in March 2011. Amazon first made in-app purchasing available to customers in November of that year, the same time that the company introduced the Kindle Fire tablet, which evolved from Amazon's Kindle e-reader. In developing the Appstore, we designed in-app purchase screens (i.e., popup windows presented to a user when making an in-app purchase) to emphasize a seamless or "friction-free" purchasing experience that was consistent with Amazon customers' experience with Kindle e-readers and 1-Click purchasing on the Amazon website. As a result, Amazon did not require customers to type a password for every in-app purchase. Similarly, Amazon designed a seamless purchase experience for all categories

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of digital content that could be purchased on a Kindle Fire tablet (e.g., video, music, and books), not just for apps and in-app purchases.

6. Although the Appstore offered apps for other companies' Android-based products (such as Samsung tablets and smartphones), the substantial majority in-app purchases has always been made on Amazon's Kindle Fire tablets.

7. Prior to launching the Appstore, Amazon was aware that some customers would share tablets and smartphones with children, and thus from the outset we made design choices to enable parents to avoid unwanted purchases by children. For example, in May 2011 the Appstore design team circulated its Business Requirements Document describing the proposed roadmap for in-app purchasing and its design objectives. Attached as **Exhibit B** is a true and correct copy of excerpts from an initial draft of the Business Requirements Document that I circulated on May 4, 2011.

8. As a result, we designed and implemented from the outset a Parental Controls feature allowing customers to block any in-app-purchase attempt without entry of their Amazon password or PIN. Thus, if a user with Parental Controls enabled chooses to make an in-app purchase (by pressing the price "button" in an in-app purchase popup window and then again after the button changes color), a Parental Controls password popup window would open. No charge would incur without successful entry of the account holder's password or PIN.

9. In addition to making available the Parental Controls feature, Amazon also informed customers about in-app purchasing and Parental Controls in multiple ways. For example, to download an app, a customer first has to visit the app's detail page, which displays a description of the app and other information such as price and customer ratings and reviews. For apps offering in-app purchasing opportunities, the app description included the following notice:

> PLEASE NOTE: This app lets you purchase digital content using actual money. You can configure parental controls for in-app purchases, which will require your

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> Amazon account password or a 4-digit PIN, by tapping the menu icon and then settings.

Amazon implemented this notice the first week after in-app purchasing was launched, and although the exact wording changed slightly over time, it has always informed customers that the app lets them make purchases using "actual money" and that they could configure Parental Controls via the Settings menu. For some apps, this notice wound up "below the fold" on the device's screen (requiring the user to scroll down to view the notice), depending on the length of the app developer's description of the app. But for all apps with in-app purchasing, this notice was part of and located in the same place within the app's description; interested parents could learn how to avoid spending "actual money" simply by reading the product's description before downloading it.

10. Aside from offering Parental Controls and notifying customers of in-app purchasing via the app description notice, Amazon Help Pages have also provided information to customers about in-app purchasing and Parental Controls, including a tutorial titled "In-App Purchasing 101."

11. As part of initial setup of a Kindle Fire tablet, customers associate the device with an Amazon account and payment method. Customers using the Appstore app on non-Amazon Android devices must also use an Amazon account and payment method. As a condition of using the Appstore, customers agree to the "Amazon Appstore for Android Terms of Use," which inform the customer of the potential for in-app purchases and that purchases will be completed using 1-Click. Attached as **Exhibit C** is a true and correct copy of the Amazon Appstore for Android Terms of Use (dated November 14, 2011) that was in effect at the time in-app purchasing was launched on the Appstore.

12. Appstore customers also agree to Amazon's Conditions of Use. Attached as **Exhibit D** is a true and correct copy of the Conditions of Use (dated August 11, 2011) that was in effect at the time in-app purchasing was launched on the Appstore.

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13. In addition to the above, Amazon's design decisions took into account the fact that each in-app purchase – like every purchase from Amazon – resulted in delivery of an immediate order-confirmation email receipt to the Amazon account holder. Thus, even if a parent had not enabled Parental Controls and a child made an in-app purchase using a device linked to the parent's Amazon account, the parent would immediately receive an order-confirmation email. If the child made five in-app purchases, the parent would receive five separate emails. This email confirmation would indicate the price paid and that the purchase was from the Appstore. The email confirmation also included a link to the Appstore Help Page, where two of the topics are "Set Parental Controls for In-App Purchases" and "Turn Off In-App Purchasing." The email receipt also contained a "Your Apps and Devices" button, and this button and the "Help" link both lead to webpages where there are links to contact customer service via email, phone, or online chat.

14. In contrast to Amazon's email confirmation, Apple's practice was (and remains) to aggregate purchases into a single email that is sent periodically.

15. The protections identified in Paragraphs 7-13 above were in place when the Appstore first made in-app purchasing available in mid-November 2011 (or within the first week).

16. Not long after in-app purchasing launched, it became apparent to Amazon that some parents who had not enabled Parental Controls had been surprised by in-app purchases made by their children. An unexpected number and percentage of customers were contacting Amazon customer service about such purchases. Although the issue affected only a small percentage of all in-app purchasers, it was unacceptable to Amazon. I referred to the situation as a "near house on fire" concern, which was my way of conveying that too many customers were surprised and dissatisfied and that we needed to prioritize finding an appropriate solution. We promptly tried to resolve this dissatisfaction in a manner that would protect customers who were

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having problems without imposing unwanted consequences on the substantial majority of customers who were not and who desired a seamless purchasing experience. We evaluated a range of options to curtail unwanted purchases by children and did so by analyzing data relating to in-app purchasing.

17. We considered requiring a password for all in-app purchases, but that option was rejected because it would have imposed unwanted friction on the bulk of customers making in-app purchases (e.g., adults who had no children or who otherwise preferred a seamless purchase flow) given that data showed that even at the height of this concern less than [redacted]% of customers were complaining about in-app purchases. Instead, we began an iterative cycle in which we implemented targeted refinements, analyzed data to determine if additional changes were warranted, evaluated potential changes, then identified additional refinements. For example, we implemented the changes discussed below.

18. In December 2011, we enhanced the Parental Controls feature by making it easier to locate on Kindle Fire devices and providing users the option of turning off Wi-Fi altogether, which would have the effect of disabling all in-app purchasing.

19. In January 2012, after identifying unacceptably high refund rates for high-price in-app items, we temporarily suspended the sale of in-app items priced at $20 or higher. Then, in March 2012, we re-instituted the sale of in-app items priced at $20 or higher, but implemented a password requirement for all in-app purchases of $20 or more ("high-price password"). As had been the case from the start for any successful in-app purchase, a purchase-confirmation popup window notified the user if Parental Controls were currently on or off and included a hyperlink so the user could immediately change the Parental Controls setting. Additional password prompts that were implemented later (and which I discuss below) also used a similar confirmation popup to provide the status of Parental Controls and a hyperlink to change the setting.

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20. In October 2012, Amazon released Kindle FreeTime. This software allows parents to control tablet usage by children, including the ability to control what apps, books, videos, or other content a child can access and the duration of time a child can use the device. Within FreeTime, all in-app purchasing is disabled. It is available on all Kindle Fire tablets sold by Amazon since September 2012.

21. Refund rates declined after implementation of the high-price password as we had hoped, but they remained higher than acceptable to Amazon. Unwanted transactions resulted in customer dissatisfaction, the opposite of Amazon's customer-first philosophy. We continued to analyze data, and in mid-2012 we concluded that high-frequency purchasing (i.e., multiple in-app purchases within a short time period) were resulting in higher refund rates. Thus we began developing another targeted solution: requiring a password for such rapid purchases.

22. We were considering this next iteration internally when, at the end of August 2012, the FTC informed Amazon it was investigating its in-app purchasing practices. We stopped work on this iteration in order to determine the scope of the FTC's concerns and whether there might be some other way to address them. The FTC never provided specific guidance (and did not do so over the course of its investigation). In February 2013, on its own initiative, Amazon implemented a password for high-frequency purchases. Upon a customer's second attempt to make an in-app purchase within a five-minute period, the customer was presented with a password prompt, even if Parental Controls were disabled. Correctly inputting the account password would open a 60-minute window in which purchases could be made without additional password entry.

23. Because Amazon had stopped selling first-generation devices in August 2012, those devices no longer received software updates. As a result, the high-frequency password and some other changes (that is, the high-risk password, Key Details Legend, and first-time purchase prompts, which I discuss below) were not implemented on first-generation devices. In October

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2013 we imposed a password requirement for purchases of $1 or more coming from first-generation devices; unlike other changes, this change did not require an on-device software solution.

24. In May 2013, we further analyzed data and identified those apps that were experiencing high refund rates. Amazon began to require a password for all in-app purchases made within those apps as well as apps designed for use by children, as determined from information provided by the third-party developer of an app. For those categories of apps, once the customer entered a password for an in-app purchase, a 15-minute purchasing window opened. Neither this purchasing window nor the high-frequency purchasing window applied to attempted purchases of high-priced in-app items, which always required entry of a password.

25. Also in May 2013, Amazon voluntarily added a password requirement for all first-time in-app purchases on Kindle Fire devices. This "Confirm In-App Purchase" prompt further explained in-app purchasing and required entry of a password to proceed. The prompt also informed the user that "If you'd like to require a password for future in-app purchases, please turn on Parental Controls" and included a hyperlink for the user to do so.

26. In June 2013, Amazon voluntarily enhanced the detail pages for apps with in-app purchasing by including a framed "Key Details" legend located at the top and to the right of the app description. Tapping on the legend produces a pop-up window, and the user can scroll down to view a further explanation of in-app purchasing and Parental Controls. The in-app notice in the Key Details legend was in addition to the original notice of in-app purchasing ("PLEASE NOTE") appended to an app description.

27. In July 2013, based on our analysis of data indicating a disproportionate frequency of refunds for in-app items priced at $19.99, Amazon reduced the threshold for the high-price password from $20.00 to $19.99 and higher.

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28. In January 2014, we learned that the FTC had entered a proposed consent decree with Apple regarding in-app purchasing. Although Amazon's system already met the provisions of the consent decree in almost all respects, and its iterative improvements had already brought down the unacceptably high refund rates experienced at launch, we nevertheless voluntarily refined our first-time purchase prompt to make its Appstore consistent with the terms in the Apple settlement. We informed the FTC in March 2014 of our plan to make that change. Thus, in June 2014, Amazon implemented a revised first-time purchase prompt, which asks the account holder to select whether he or she wants to require a password for future in-app purchases. If the account holder chooses to require a password, the device will enable Parental Controls. In order to authorize the specific purchase and the password selection for future purchases, the account holder must enter his or her password. This change did not result in significant further reduction in refunds.

29. In addition to the June 2014 first-time purchase prompt, Amazon continues to use the other notices and password controls discussed above (with the exception of the May 2013 first-time purchase prompt, which was replaced with the June 2014 prompt).

30. Amazon has also implemented additional features to help customers understand and customize their app experience to their choosing, including Amazon Underground a feature that provides to Amazon customers a large selection of premium apps and *all* in-app purchases for free. Underground launched in August 2015.

31. I understand that as part of discovery in this case Amazon produced data regarding in-app purchases covering the period from November 2011 through August 2015. The data indicate that refund rates significantly declined from the early period after Amazon first made in-app purchases available and have largely remained flat going back at least as far as October 2013. Even considering Amazon's generous refund practices, between May 2013 and August 2015, the monthly rate of customer refunds for in-app purchases has ranged

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between [redacted]% and [redacted]%; monthly refund rates between October 2013 and August 2015 have ranged between [redacted]% and [redacted]% of in-app units sold. Attached as **Exhibit E** are a table and charts showing monthly refund rates, by units and customers. (A spike in refund rates in March and April 2012 resulted from a fraud campaign in which third parties used stolen credit-card information to make multiple in-app purchases within the app "Order & Chaos" and then resold the "Runes" from those in-app purchases on secondary markets.)

32. Implementation of the June 2014 first-time purchase prompt did not result in significant further reduction in refunds, nor did it cause the level of refund rates to rise to the levels experienced in the period prior to October 2013. For example, in April and May 2014, respectively, only [redacted]% and [redacted]% of in-app units sold were refunded; in July and August 2014, [redacted]% and [redacted]% were refunded, respectively.

33. When the issue of unwanted in-app purchases by children surfaced, Amazon worked diligently to address the issue in a responsible way that balanced the interests of all of its customers and has successfully minimized customer dissatisfaction over in-app purchases. Amazon has no plans now to jeopardize that achievement and its customers' trust by making any changes in the future other than further improvements that would be as effective, or more effective, than those now in place.

I declare under penalty of perjury that the foregoing is true and correct.

EXECUTED at SEATTLE, WA this 2ND day of February, 2016.

Aaron Rubenson

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CERTIFICATE OF SERVICE

I certify that on February 2, 2016, I electronically filed the foregoing Declaration of Aaron Rubenson In Support of Amazon's Motion for Partial Summary Judgment with the Clerk of the Court using the CM/ECF system, which will send notification of such filing to attorneys of record.

I certify under penalty of perjury that the foregoing is true and correct.

DATED this 2nd day of February, 2016.

s/ Harry H. Schneider, Jr.

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Exhibit A

Exhibit A

amazon.com

To our shareholders:

Amazon.com passed many milestones in 1997: by year-end, we had served more than 1.5 million customers, yielding 838% revenue growth to $147.8 million, and extended our market leadership despite aggressive competitive entry.

But this is Day 1 for the Internet and, if we execute well, for Amazon.com. Today, online commerce saves customers money and precious time. Tomorrow, through personalization, online commerce will accelerate the very process of discovery. Amazon.com uses the Internet to create real value for its customers and, by doing so, hopes to create an enduring franchise, even in established and large markets.

We have a window of opportunity as larger players marshal the resources to pursue the online opportunity and as customers, new to purchasing online, are receptive to forming new relationships. The competitive landscape has continued to evolve at a fast pace. Many large players have moved online with credible offerings and have devoted substantial energy and resources to building awareness, traffic, and sales. Our goal is to move quickly to solidify and extend our current position while we begin to pursue the online commerce opportunities in other areas. We see substantial opportunity in the large markets we are targeting. This strategy is not without risk: it requires serious investment and crisp execution against established franchise leaders.

It's All About the Long Term

We believe that a fundamental measure of our success will be the shareholder value we create over the *long term*. This value will be a direct result of our ability to extend and solidify our current market leadership position. The stronger our market leadership, the more powerful our economic model. Market leadership can translate directly to higher revenue, higher profitability, greater capital velocity, and correspondingly stronger returns on invested capital.

Our decisions have consistently reflected this focus. We first measure ourselves in terms of the metrics most indicative of our market leadership: customer and revenue growth, the degree to which our customers continue to purchase from us on a repeat basis, and the strength of our brand. We have invested and will continue to invest aggressively to expand and leverage our customer base, brand, and infrastructure as we move to establish an enduring franchise.

Because of our emphasis on the long term, we may make decisions and weigh tradeoffs differently than some companies. Accordingly, we want to share with you our fundamental management and decision-making approach so that you, our shareholders, may confirm that it is consistent with your investment philosophy:

We will continue to focus relentlessly on our customers.

- We will continue to make investment decisions in light of long-term market leadership considerations rather than short-term profitability considerations or short-term Wall Street reactions.

- We will continue to measure our programs and the effectiveness of our investments analytically, to jettison those that do not provide acceptable returns, and to step up our investment in those that work best. We will continue to learn from both our successes and our failures.

- We will make bold rather than timid investment decisions where we see a sufficient probability of gaining market leadership advantages. Some of these investments will pay off, others will not, and we will have learned another valuable lesson in either case.

- When forced to choose between optimizing the appearance of our GAAP accounting and maximizing the present value of future cash flows, we'll take the cash flows.

- We will share our strategic thought processes with you when we make bold choices (to the extent competitive pressures allow), so that you may evaluate for yourselves whether we are making rational long-term leadership investments.

- We will work hard to spend wisely and maintain our lean culture. We understand the importance of continually reinforcing a cost-conscious culture, particularly in a business incurring net losses.

- We will balance our focus on growth with emphasis on long-term profitability and capital management. At this stage, we choose to prioritize growth because we believe that scale is central to achieving the potential of our business model.

- We will continue to focus on hiring and retaining versatile and talented employees, and continue to weight their compensation to stock options rather than cash. We know our success will be largely affected by our ability to attract and retain a motivated employee base, each of whom must think like, and therefore must actually be, an owner.

We aren't so bold as to claim that the above is the "right" investment philosophy, but it's ours, and we would be remiss if we weren't clear in the approach we have taken and will continue to take.

With this foundation, we would like to turn to a review of our business focus, our progress in 1997, and our outlook for the future.

Obsess Over Customers

From the beginning, our focus has been on offering our customers compelling value. We realized that the Web was, and still is, the World Wide Wait. Therefore, we set out to offer customers something they simply could not get any other way, and began serving them with books. We brought them much more selection than was possible in a physical store (our store would now occupy 6 football fields), and presented it in a useful, easy-to-search, and easy-to-browse format in a store open 365 days a year, 24 hours a day. We maintained a dogged focus on improving the shopping experience, and in 1997 substantially enhanced our store. We now offer customers gift certificates, 1-Click(SM) shopping, and vastly more reviews, content, browsing options, and recommendation features. We dramatically lowered prices, further increasing customer value. Word of mouth remains the most powerful customer acquisition tool we have, and we are grateful for the trust our customers have placed in us. Repeat purchases and word of mouth have combined to make Amazon.com the market leader in online bookselling.

By many measures, Amazon.com came a long way in 1997:

- Sales grew from $15.7 million in 1996 to $147.8 million -- an 838% increase.

- Cumulative customer accounts grew from 180,000 to 1,510,000 -- a 738% increase.

- The percentage of orders from repeat customers grew from over 46% in the fourth quarter of 1996 to over 58% in the same period in 1997.

- In terms of audience reach, per Media Metrix, our Web site went from a rank of 90th to within the top 20.

- We established long-term relationships with many important strategic partners, including America Online, Yahoo!, Excite, Netscape, GeoCities, AltaVista, @Home, and Prodigy.

Infrastructure

During 1997, we worked hard to expand our business infrastructure to support these greatly increased traffic, sales, and service levels:

- Amazon.com's employee base grew from 158 to 614, and we significantly strengthened our management team.
- Distribution center capacity grew from 50,000 to 285,000 square feet, including a 70% expansion of our Seattle facilities and the launch of our second distribution center in Delaware in November.
- Inventories rose to over 200,000 titles at year-end, enabling us to improve availability for our customers.
- Our cash and investment balances at year-end were $125 million, thanks to our initial public offering in May 1997 and our $75 million loan, affording us substantial strategic flexibility.

Our Employees

The past year's success is the product of a talented, smart, hard-working group, and I take great pride in being a part of this team. Setting the bar high in our approach to hiring has been, and will continue to be, the single most important element of Amazon.com's success.

It's not easy to work here (when I interview people I tell them, “You can work long, hard, or smart, but at Amazon.com you can't choose two out of three”), but we are working to build something important, something that matters to our customers, something that we can all tell our grandchildren about. Such things aren't meant to be easy. We are incredibly fortunate to have this group of dedicated employees whose sacrifices and passion build Amazon.com.

Goals for 1998

We are still in the early stages of learning how to bring new value to our customers through Internet commerce and merchandising. Our goal remains to continue to solidify and extend our brand and customer base. This requires sustained investment in systems and infrastructure to support outstanding customer convenience, selection, and service while we grow. We are planning to add music to our product offering, and over time we believe that other products may be prudent investments. We also believe there are significant opportunities to better serve our customers overseas, such as reducing delivery times and better tailoring the customer experience. To be certain, a big part of the challenge for us will lie not in finding new ways to expand our business, but in prioritizing our investments.

We now know vastly more about online commerce than when Amazon.com was founded, but we still have so much to learn. Though we are optimistic, we must remain vigilant and maintain a sense of urgency. The challenges and hurdles we will face to make our long-term vision for Amazon.com a reality are several: aggressive, capable, well-funded competition; considerable growth challenges and execution risk; the risks of product and geographic expansion; and the need for large continuing investments to meet an expanding market opportunity. However, as we've long said, online bookselling, and online commerce in general, should prove to be a very large market, and it's likely that a number of companies will see significant benefit. We feel good about what we've done, and even more excited about what we want to do.

1997 was indeed an incredible year. We at Amazon.com are grateful to our customers for their business and trust, to each other for our hard work, and to our shareholders for their support and encouragement.

/s/ JEFFREY P. BEZOS
Jeffrey P. Bezos
Founder and Chief Executive Officer
Amazon.com, Inc.

Exhibit B

Exhibit B

Customer Needs

Based on our conversations with developers, we have segmented the customer base for in-app purchasing into three primary groups: adults buying for themselves (in-game purchasing, freemium app upgrades, and subscriptions), adults buying for children (primarily for in-game purchases), and teenagers (in-game purchasing). We have defined our key requirements for these groups as follows:

- Shared authentication: The average Android owner has 35 apps on their phone[viii], and many will offer in-app purchasing. Customers will expect a single authentication to enable in-app purchasing across all apps.
- Consistent, trusted purchase experience: Because most app developers are relatively unknown, customers will feel more secure if all in-app transactions have familiar branding and a consistent purchase flow.

- Convenient payment methods: Customers will prefer to shop using previously established payment instruments (e.g. stored credit cards, gift card and promotional balances, and virtual currency balances) or easily configurable payment methods (carrier billing).
- Parental controls. Adults buying for children (or enabling their children to buy for themselves) will want the ability to guard against large, unexpected charges – e.g. through addition of a PIN requirement or spending limits.
- Consolidated order history. Because customers are likely to purchase in-app items from multiple developers, they will value the ability to view all of their in-app orders in one, consolidated order history.
- High-quality customer service. While in-app purchasing is nascent, customers will value the ability to receive high-quality customer service from a known entity (regardless of the app in which they made their purchase)
- Ability to pay using local currency. When we allow international customers to use Amazon's in-app purchasing technology, they will prefer to pay in their local currency to avoid foreign exchange fees.

Product Roadmap

To create the in-app purchasing and subscriptions solution for Android developers that monetizes best and is the most convenient to adopt and use, we must meet the requirements outlined above and differentiate our service in a way that attracts developers and encourages frequent purchasing by customers (create a flywheel for in-app purchasing). Our roadmap drives towards this overarching vision in three major phases, as outlined below (and summarized in **Appendix B** in tabular format).

Phase 1: In-App Purchasing and Subscriptions for US Customers (Retail model), with Amazon Points (11/25/11)

In Phase 1, we will enable Amazon Appstore developers to sell digital goods and subscriptions to US customers from within their apps. We also think the Amazon Points concept provides an exciting opportunity for differentiating our service and driving the in-app purchasing flywheel, and we plan to enable it in Phase 1 (we are still evaluating other ideas for differentiation, but Points is currently our favorite).

Developer Experience

Developers will self-register for the in-app purchasing program using the Appstore Developer Portal. Once registered, they will download our SDK and add our in-app purchasing technology into their apps. Our SDK will provide simple APIs and a rich array of pre-configured widgets for in-app merchandising. Our team of 15 technical account managers in the Orange County development center will assist developers with the integration process and certify their first in-app purchase experience.

Developers will set up and manage their in-app purchase and subscription items in the developer portal. When a transaction occurs, Amazon will calculate and collect sales tax (and later remit taxes for the transactions). Amazon will provide order management and customer service for all in-app orders. Developers will be able to view their in-app purchase orders using self-service reports in the developer portal. Amazon will disburse revenue share payments via EFT to developer in 22 countries, and via paper check to developers in all remaining countries.

Consumer Experience

Customers using apps with Amazon's SDK integrated will see in-app purchase and subscription offers merchandised via Amazon's pre-configured widgets or developer-created merchandising interfaces (that use Amazon's APIs). When a customer decides to purchase an item, the app will spawn an Amazon branded pop-up window. In the simplest case (customers that have previously installed and logged into the Appstore client and don't require parental controls), the

pop up will prompt the customer to complete their purchase using one of the payment instruments associated with their Amazon account (a stored credit card, Amazon Points balance, or through carrier billing). For customers that have enabled parental controls, the pop-up will first ask for a PIN before allowing the purchase to proceed. For customers that have not installed the Appstore client, the pop-up flow will step customers through the process of installing the Appstore and then return to the purchase confirmation step.

All purchases in Phase 1 will occur in US dollars. After a customer's first in-app purchase, all subsequent purchases (across all developers' apps) will follow the same user experience involving an Amazon-branded pop-up for purchase confirmation. Customers will be able to view their in-app purchase history on Amazon.com and contact Amazon customer service for help with in-app orders.

Exhibit C

Exhibit C

AMAZON APPSTORE FOR ANDROID TERMS OF USE

Last updated: November 14, 2011

These Terms of Use are part of an agreement between you and Amazon Digital Services, Inc. (together with its affiliates, "Amazon" or "we") regarding use of the Amazon Appstore for Android ("Amazon Appstore") and associated software, services and purchases. Before you use the Amazon Appstore or download any Apps made available through it, please read these Terms of Use, the Amazon.com Privacy Notice at http://www.amazon.com/privacy, the Amazon.com Conditions of Use at http://www.amazon.com/conditionsofuse, and all rules and policies related to the Amazon Appstore (including, but not limited to, any rules or usage provisions specified on any product detail page or on any help or other informational page for the Amazon Appstore) (collectively, the "Agreement").

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Exhibit D

Exhibit D

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Exhibit E

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