Figueira Decl. Tab 3

To: Wendy Chang <wchang@google.com>; Jordan Hoffner <jhoffner@google.com>; Chris Maxcy <chris@youtube.com>; Kevin Yen <kyen@google.com>
From: Alex Ellerson <ellerson@google.com>
Cc:
Bcc:
Received Date: 2007-06-25 19:34:46 CST
Subject: REPLY REQUIRED: More thoughts on rev share tiering

J, C, K:

I spoke with Wendy about the notion of offering tiered revenue sharing for partners who sell based on their average CPMs. Our current Provider Ads CHSAs already require partners who sell to report to us on CPMs -- among other things -- so this adds no administrative overhead for us. The bigger administrative burden for us is the sliding scale that we agreed on last week, and we all need to be vigilant in making sure that we're building toward automating that process down the road.

Wendy had an excellent suggestion re CPM-based tiering: In the long run, it will be better to have tiered revenue sharing based on total gross revenues, rather than average CPM (just as AdSense employs). The challenge for the short term, however, is that we don't know what that gross revenue target should look like. So we could potentially use CPM tiering in current agreements, but then move to tiers based on gross revenue targets in renewals, once we have enough revenue history under our belts to know what those targets should be.

For the tiers, presuming we are not going to sell any inventory below $8, we could modify my earlier proposed tiers into something along these lines:

Tier 1: $8-10cpm: Partner receives 52% of gross revs.
Tier 2: $10-16cpm: Partner receives 60% of gross revs
Tier 3: $16-24: Partner recieves 65% of gross revs
Tier 4: $24 and up, Partner receives 70% of gross revs.

I want to run this by legal as well. I'm not sure how best we handle the $8 floor question when partner sells, as I have some concerns that contractually agreeing not to sell below $8 could be construed as minimum price fixing. (Which would be bad.)

As agreed upon last week, we will also employ a sliding scale on rev shares for deals in which partner does *not* sell, with increases between 52 and 70% being based on the following subjective criteria:

* Content Partners may receive higher rev share based on the following criteria, listed in order of importance:
1. Relative importance of the category of content to the YT audience
2. Quantity of content: Both initial archive and refresh rate
3. Brand strength and market position in the respective category
4. Willingness to bear burden of selling their inventory, but also to allow G to backfill unsold inventory
5. Willingness to "claim" all user uploads unless they have not been cleared for online distribution
6. Geographic scope of the license grant
7. Willingness to agree to significant cross-promotions
8. Online parity (i.e., content MFN)

CAN WE MEET AT 11AM PT TOMORROW RATHER THAN NOON TO VET THIS BEFORE OUR MTG WITH DAVE?

Best,
Alex

Chang
EXHIBIT NO. 32
7-11-08
A. IGNACIO HOWARD CSR, RPR