

John Sargent's preemptive message to the Macmillan community below:

Dear authors, illustrators and agents:

Today the Department of Justice filed a lawsuit against Macmillan's US trade publishing operation, charging us with collusion in the implementation of the agency model for e-book pricing. The charge is civil, not criminal. Let me start by saying that Macmillan did not act illegally. Macmillan did not collude.

We have been in discussions with the Department of Justice for months. It is always better if possible to settle these matters before a case is brought. The costs of continuing--in time, distraction, and expense-- are truly daunting.

But the terms the DOJ demanded were too onerous. After careful consideration, we came to the conclusion that the terms could have allowed Amazon to recover the monopoly position it had been building before our switch to the agency model. We also felt the settlement the DOJ wanted to impose would have a very negative and long term impact on those who sell books for a living, from the largest chain stores to the smallest independents.

When Macmillan changed to the agency model we did so knowing we would make less money on our e book business. We made the change to support an open and competitive market for the future, and it worked. We still believe in that future and we still believe the agency model is the only way to get there.

It is also hard to settle a lawsuit when you know you have done no wrong. The government's charge is that Macmillan's CEO colluded with other CEO's in changing to the agency model. I am Macmillan's CEO and I made the decision to move Macmillan to the agency model. After days of thought and worry, I made the decision on January 22nd, 2010 a little after 4:00 AM, on an exercise bike in my

basement. It remains the loneliest decision I have ever made, and I see no reason to go back on it now.

Other publishers have chosen to settle. That is their decision to make. We have decided to fight this in court. Because others have settled, there may well be a preponderance of references to Macmillan, and to me personally, in the Justice Department's papers – often without regard to context. So be it.

I hope you will agree with our stance, and with Scott Turow, the president of the Author's Guild, who stated, "The irony of this bites hard: our government may be on the verge of killing real competition in order to save the appearance of competition. This would be tragic for all of us who value books and the culture they support".

Since we are now in litigation, I may not be able to comment much going forward. We remain dedicated to finding the best long term outcome for the book business, for Macmillan and for the work you have entrusted to our care.

Thanks.

John