

Notice: Amendment to Class Action Settlement. New Chance To Get Class Benefit.

You are receiving this notice because you have chosen to exclude yourself from a class action lawsuit entitled Chavez v. Netflix. You may recall receiving a notice in November 2005 describing the terms of a proposed settlement. Since that time, the parties have modified the settlement. You should review the changes to see if you want to remain excluded from the settlement, or if you now want to claim the free month of service or a free one-month upgrade.

Under the amended settlement, if you are an eligible former Netflix member and sign up for the free one-month membership, your membership will end automatically unless you choose to continue your service. If you are an eligible current Netflix member and sign up for the free one-month upgrade, your upgraded membership will return to your previous service level unless you choose to continue the upgraded service. Additional changes to the settlement are reflected in the Amended Settlement Agreement. If you wish to compare the Amended Agreement with the Original Agreement, the Parties have posted a comparison at www.netflix.com/settlement.

As a reminder, this class action lawsuit was filed in San Francisco Superior Court (case number CGC-04-434884) on September 23, 2004. The lawsuit alleges that Netflix failed to provide “unlimited” DVD rentals and “one day delivery” as promised in its marketing materials. Netflix has denied any wrongdoing or liability. Under the terms of the amended settlement, Netflix will provide eligible subscribers with the Class Benefit described below.

- **Current Netflix Members:** If you enrolled in a paid membership before January 15, 2005 and were a member as of October 19, 2005, you are eligible to receive a free one-month upgrade in service level. For example, if you are on the 3 DVDs at-a-time program, you will be upgraded to the 4 DVDs at-a-time program for one month. There will be no price increase during the upgraded month. The upgrade in service level will automatically end after one month and your subscription will return to the previous service level, unless you choose to continue at the higher service level and pay the regular subscription rate for that level after the upgraded month.
- **Former Netflix Members:** If you enrolled in a paid membership before January 15, 2005 but were not a member as of October 19, 2005, you are eligible to receive a free one-month Netflix membership on your choice of the 1, 2 or 3 DVDs at-a-time unlimited program. Your subscription will automatically end after one month, unless you choose to continue your membership and pay the regular subscription rate after the free month. If you do not choose to continue the service, you must return all rented DVDs within 7 days following the expiration of the free month or be subject to charge for the outstanding DVDs under Netflix’s standard policy (currently, \$20 per DVD).

The settlement was approved by the Court on April 28, 2006. These benefits will be provided after the Effective Date. As described in the Amended Settlement Agreement, the Effective Date depends on such factors as the pendency of any appeals and is therefore difficult to predict. Your eligibility for the benefits is based on your membership status as of October 19, 2005. Pursuant to the terms of the settlement, in addition to providing the benefit described above, Netflix will modify portions of its Terms of Use. Class Members are subject to the revised Terms of Use, available at www.netflix.com/termsfuse. Netflix also will refer to its Terms of Use in certain advertisements. Netflix has also agreed to pay up to \$2,528,000, and the Court has awarded \$1,387,138, in attorneys’ fees and costs to counsel for members of the Settlement Class, including Class Counsel and counsel for all objectors, intervenors, and proposed intervenors, with an express reservation that an additional and enhanced fee may be awarded upon the final showing of the number of Class Members who timely and accurately complete the Claim Form Process. The Amended Settlement Agreement is available for

review at www.netflix.com/settlement.

You have two options to respond to the amended settlement. You have until June 26, 2006 to make your decision.

Option 1. Sign Up For One Month of Free Membership or Free Upgraded Service As Part Of The Settlement

To receive the benefit, you must complete the online registration process no later than June 26, 2006, at www.netflix.com/settlement. During the registration process, you will be required to acknowledge that your decision to receive the Class Benefit revokes your previous decision to exclude yourself from the class and that by signing up for the benefit, you waive your right to bring a separate lawsuit against Netflix concerning the Claims Released By The Class (as defined in the Amended Settlement Agreement found at www.netflix.com/settlement).

Option 2. Do Nothing and Remain Excluded From the Class

To remain excluded from the class, you do not have to do anything. You will preserve your right to bring a lawsuit against Netflix concerning the Claims Released By The Class. However, you will not get the benefit described above.

To revoke your previous request for exclusion and receive the benefit, you must register by June 26, 2006 as described above in Option 1. You will not receive any other reminders to register for the benefit. If you have registered for the benefit and your eligibility is confirmed, then you will be provided additional information by email following the Effective Date as defined in the Amended Settlement Agreement.

To get more information about the settlement and procedures, and to take option 1, visit www.netflix.com/settlement.