



To: SAPA Members
From: Douglas Fry
Date: 23 August 2004
Re: PaperChain Progress

I am excited to mail this packet to you today. This marks a major step forward in a project on which free paper associations have been working for several years.

I'm sure you've heard about PaperChain during our conferences, at national conferences and through several industry publications. One of PaperChain's tasks is to market our publications to national media buyers, and we are very close to being able to administer sales to these customers.

This packet requests information that is necessary for us to complete a nationwide database, including your publication, that will allow us to handle sales as they occur. Without your information, we will not be able to sell ads into your publications. Please make completing and returning it a high priority.

Also included in this packet is a participation agreement that must be signed and returned to me by all publishers who want to participate in PaperChain. Without your authorization through signing this agreement, we cannot include your publication in group buys and administer sales into your publications. The participation agreement lays the foundation for handling transactions.

An FAQ (Frequently Asked Questions) is included regarding the terms of the participation agreement. I believe that once you read the agreement and the FAQ, you will understand why we have set these rules in place. However, if you have any questions, please feel free to contact me immediately.

I look forward to receiving your information and the signed publishers participation agreement. And, I look forward to inserting ads into your publication in the near future.

Sincerely,

Douglas Fry
Executive Director

PAPERCHAIN NETWORK PARTICIPATION AGREEMENT

Whereas, PAPERCHAIN, LLC, is a Colorado Limited Liability Company (hereinafter, "PaperChain") formed by the group of national, regional and state community paper associations listed at the website located at www.paperchainnetwork.net/ourNetwork/ourNetwork.html (the "Associations") in order to provide their member publishers with a means by which to share a national brand identity that encourages media buyers to recognize and easily include community papers in their media buys;

Whereas, PaperChain desires to form an electronic advertising network to allow media buyers to place advertisements in community papers in multiple regions through a single member publisher (the "Network"); and

Whereas, the undersigned ("Publisher") desires to participate in the Network, and be able to receive advertisements via the Network.

NOW THEREFORE, effective _____, 2004, in consideration of the foregoing recitals and other mutual promises, Publisher agrees to accept and publish previously formatted, ready-to-insert, display advertising received from the Network ("Network Advertisement") under the following terms and conditions:

1. Publisher agrees to publish Network Advertisements at seventy percent (70%) of Publisher's published local open rate, as converted by PaperChain to Standard Advertising Units.

2. Publisher agrees that all Network Advertisements shall be published in Standard Advertising Units.

3. Publisher retains the right to accept or reject any individual Network Advertisement, for any reason, but shall not make changes in the size, content or any other aspect of any Network Advertisement.

4. Publisher agrees to maintain facilities to receive advertisements in PDF format. Publisher agrees that payment shall be conditioned upon providing tear sheets to the address indicated on the insertion order by the specified deadline date.

5. Publisher agrees to comply with any Network policies, procedures, terms and conditions that PaperChain may enact from time to time as posted at www.paperchainnetwork.net.

6. Publisher agrees not to charge interest on any overdue PaperChain Network transaction. Network warrants that it will use its best efforts to check credit references and only extend credit to advertisers that Network believes has the ability to pay for advertising, and Network warrants that it will use its best efforts to collect all such advertising. However, in the extension of credit uncollected accounts may occur. In such case where Network advertising is not collected, Publisher agrees to pursue collection only through authorized PaperChain representatives and shall not hold PaperChain, any of the Associations or their agents liable for such uncollectible debt.

7. Publisher represents and warrants that (a) it is now and shall remain a member in good standing of one of the Associations and (b) the circulation of its publication has been audited by one of the approved circulation auditing firms listed on the www.paperchainnetwork.net web site within the past 24 months, or has an audit in process that will be completed within the 24 months following the date of this Agreement. Publisher acknowledges and agrees that PaperChain may terminate this Agreement for a breach of any of the foregoing representations and warranties.

8. This Agreement may be terminated by Publisher upon thirty days written notice to PaperChain for any reason or no reason. PaperChain may terminate this Agreement upon thirty days written notice to Publisher for any reason or no reason.

9. This Agreement shall be interpreted under the laws of the state of Maryland without regard to its choice of law provisions. Publisher agrees to accept the personal jurisdiction of state and federal courts located in Maryland. The waiver of a breach of a provision of this Agreement shall not operate or be construed to invalidate the remaining provisions contained in this Agreement, which shall continue to remain in effect. Publisher agrees that the signatory hereto is authorized and empowered to enter into this Agreement on behalf of Publisher. The finding by any court that a provision of this Agreement is invalid shall not operate or be construed to invalidate the remaining provisions contained in this Agreement, which shall continue to remain in full force and effect. This Agreement contains the entire agreement between the parties relating to the subject matter hereof, and all prior proposals, discussions or writings are superseded hereby.

PUBLISHER:

_____ [entity name]

By: _____

Name: _____

Title: _____

MAILING ADDRESS:

ASSOCIATION AFFILIATION:

**Southeastern Advertising
Publishers Association**

Frequently Asked Questions

1. Why do we need such an agreement?

The total number of PaperChain participating papers is such that no one can remember all the papers that are participating. This agreement is intended to list the duties and rights of the members, as well as PaperChain. By using a simple agreement setting forth the duties and responsibilities of both parties, we can document what you can plan on from PaperChain, and PaperChain can represent you to media buyers with confidence.

2. Why are we using SAU as the size?

One consistent reason media buyers have cited when asked why they don't buy free papers is that there are so many different page sizes and column widths. Creating ad copy for each unique size and column width is very expensive – so expensive that most agencies simply won't do it. The advertising buyers dictate that there is some standardization regarding the size of the ad placed in the various publications. Most media buyers and ad agencies are already using the new SAU. Because we do not have a standard size, it is easier for us to conform to their methods than to try and change their way of operating. Think about it, if all your customers spoke only French, wouldn't you become fluent quickly?

3. Why are publishers allowed to refuse any ad?

Our industry is built on a close relationship between each paper and its customers. In the day to day operation of your paper, you are responsible for determining what will – and more importantly, what won't – run in your paper. PaperChain does not want to interfere with this practice. It also gives the publisher the final credit approval on any advertiser.

4. Why is the publisher paid 70% of the local open rate?

Seventy percent of the local open rate allows for selling commissions, discounts and other expenses incurred in the process of selling display ads into the papers. The paper does not have any selling or composition costs associated with the ads they receive. While the publisher receives 70% the customer will be paying 100% or slightly less if a frequency discount is given. Your current customers are most likely on a better rate than local open rate.

5. Why do we have to be able to receive the ads in PDF format?

First of all it is quick and allows for the quickest turnaround for ad copy. It also allows for the ads to be consistent in all of the papers. There is also a considerable cost savings over the mail or fax.

6. Will the policies and procedures change?

Like all systems the technology keeps getting better all the time. The best way to handle things today may not be the best way in the future. PaperChain will keep evolving and becoming better as new technology and opportunities arise.

7. Can my paper lose money by running a PaperChain ad?

Like all businesses, there may be a certain amount of bad debt. PaperChain will check the credit of potential customers. Not only will a new business have to complete a credit application the company will be checked by Dunn & Bradstreet. If the PaperChain standards are not met, the customer will need to pay in advance. Even after all of this, the publisher can still refuse the ad. In essence that is the final step in credit approval for the individual paper. You can be assured that no advertiser will be extended credit whenever there is a question regarding payment. However, even with the strongest credit policy, there will be bad debts. It's a cost of doing business. But, we can be smart about how we extend credit and work together to collect any late paying accounts.

8. How soon will I be paid for ads that ran in my paper?

The key to getting paid in a timely matter rests on the papers sending back tearsheets as proof that the ad ran. Most media buyers and ad agencies will not do a partial payment. Consequently, one paper can hold up payment for all the others. For this reason PaperChain will not pay late fees. The system will encourage the papers to send in tearsheets but after a certain time period it will be deemed that the ad did not run in the publication and the statement to the advertiser will be adjusted to reflect that and the paper will not be paid after that date even if the ad ran. It is extremely important that your employees pay careful attention to the instructions on each ad order regarding mailing tearsheets. Each will specify the address and the deadline date for mailing tearsheets. If tearsheets are not mailed timely, you may not be paid for running the ad – and that's bad for everyone.

9. Why do I have to have a circulation audit to participate in PaperChain?

For many years, media buyers have held very little confidence that free papers are delivered and read by the people in your market. We've known that was false; we've served Main Street effectively for more than 50 years. You can't build that support among your local advertisers by cheating them. But media buyers who are not familiar with your publication don't know how well you are serving your local customers. The only way to prove to them that you are delivered and read is to provide proof through a quality circulation audit.

10. Why do I have to use one of the four "accepted" auditing companies?

There are many companies that can perform an audit – often many types of audits. But, there are four who specialize in auditing circulation and are recognized by media buyers: Circulation Verification Council, Verified Audit of Circulation, Certified Audit of Circulation and the Audit Bureau of Circulation. Currently, Circulation Verification Council audits about 95% of the audited free papers in North America. They are certainly the most experienced free paper circulation audit firm. Through the years, we've all witnessed publishers who create a free paper, don't serve

customers well, don't distribute the papers they claim, and generally fail in a few years (or less). But, in the meantime, they give the free paper industry a bad image – an image that paid papers have propagated among media buyers. By requiring audits for all PaperChain members, these publishers will never become part of PaperChain, and we can establish membership in PaperChain as a mark of accomplishment that media buyers can depend upon.

11. Why do I have to belong to a sponsoring association to be a member of PaperChain?

The 16 free paper associations have spent considerable time and money creating this network. Joining one of the associations is a mark of accomplishment, and requires that the publisher abide by the association's Code of Ethics. Again, this helps build PaperChain as a mark of accomplishment, like the Good Housekeeping symbol.

12. Why can I drop out of this agreement with only 30 days notice? And, why can PaperChain terminate this agreement with only 30 days notice?

We know that the terms of participation are going to change as the advertising market changes, and technology changes. To be able to move quickly to seize opportunities, we need to be able to make changes quickly. By establishing a 30-day notice period to terminate this agreement, we can re-write provisions that need to change and make those changes quickly. No one can totally foresee what changes are ahead, and whether you will agree with those changes. By giving you the right to terminate the agreement in 30 days, you have an "insurance" policy that no changes can be made that you can't live with.

13. I'm concerned about this language about changes in the future. How can I make sure that future changes are good choices, and will build, not hurt my business?

The best way to assure that this program is a great asset to your company, not a hindrance, is to get involved. Get involved with your local association. Get involved with your national association. Volunteer to participate on committees, stay abreast of developing changes, make your opinions known. We are moving into a program that will revolutionize our industry, and we need your help.