## SMALL PRESS UNITED DISTRIBUTION AGREEMENT

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with its principal office at		

Telephone: \_\_\_\_\_; Fax: \_\_\_\_\_; E-mail:aa\_\_\_\_\_;

(hereinafter called "Publisher") and Chicago Review Press, Incorporated, an Illinois Corporation with its principal office at 814 North Franklin Street, Chicago, Illinois 60610 (hereinafter called "CRP").

CRP is the parent company of Independent Publishers Group, Small Press United, and Chicago Review Press Books. You can find more info about the company at www.ipgbook.com.

This agreement gives SPU the exclusive right to sell a publisher's title(s) to the book trade: bookstores (including web-based booksellers), book wholesalers, libraries, book clubs, and other businesses that deal extensively in books. SPU's distribution fee is 30 percent of the amount billed to its book customers. There is a one-time initial set up fee of \$200, which includes a one-year membership, or extension of membership, in the Independent Book Publishers Association.

Payments to client publishers are made each month within 120 days of the close of each sales month. There are no storage fees so long as the amount of Publisher's book stock in any title is not excessive in relation to sales.

The explanations in italics within the text of the agreement are in tended to help understand its m ajor provisions. They are not a part of the agreement itself, and must not be construed as additions to, or modifications of, the agreement.

WITNESSETH:

WHEREAS, Publisher has published a book(s) entitled

under its own name; and WHEREAS, Publisher wishes to appoint CRP, through its Small Press United distribution program (hereinafter SPU) as its sole and exclusive distributor to the book trade for all editions, including digital editions, of the title(s) referred to above, and Publisher's existing and future titles, upon the terms and conditions hereinafter set forth.

This first paragraph means that Publisher agrees to have SPU distribute all of Publisher's titles that are in print rather than just the title(s) that may have been the occasion for entering into this agreement. In short SPU must distribute publishers, not titles. Therefore every title that Publisher keeps in print must be entered into the SPU database and stock must be available in the SPU distribution center to the extent that there is demand. NOW, THEREFORE, in consideration of the premises and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto hereby agree as follows:

# 1. Grant of Exclusive Distributorship

Publisher hereby appoints SPU as its sole and exclusive distributor to the book trade (book retailers, wholesalers, book catalogs, book clubs, and libraries) during the term hereof, for the United States, its territories and possessions. SPU may utilize the services of subdistributors, as it, in its sole discretion, may determine. Publisher agrees that during the term of this agreement Publisher will not sell any copies of its books to the book trade as defined above, and will promptly forward any orders from such customers to SPU for billing and fulfillment. Publisher also appoints SPU its sole and exclusive distributor to Canada. From time to time SPU may sell Publisher's books in Australia, the UK, and around the world.

SPU must be the EXCLUSIVE distributor, to the BOOK TRADE, for any publisher that it takes on. Books are sold returnable, and books sent to a wholesaler, for instance, might be returned by a retailer, or vice versa. No distributor can tolerate a situation in which it might have to receive returns from, and issue credit to, customers it did not sell to in the first place. Nor will any book industry professional tolerate being approached by more than one seller of any title.

The best definition of the "book trade" is companies whose main business, or a major part of whose business, is buying and reselling books. This means that publishers distributed by SPU are always free to sell to any individual consumer—i.e. through the publisher's own website—and also to any company that is not primarily, or importantly, in the book business. All electronic booksellers, including Amazon.com and many other web retailers, are included in SPU's exclusive right to distribute as are book wholesalers who sell to nonbookstore customers (for instance, book wholesalers to the health food stor es or nurseries). Museum stores, gift stores, and catalogs that deal in books in a serious way are also part of SPU's exclusive right.

The possible fact that Publisher has sold to certain accounts prior to entering into this agreement does not mean that such accounts can be retained by Publisher. As of the commencement date of this agreement, any further orders from existing customers must be forwar ded to SPU for fulfillme nt. If Publisher does business after the signing of this agreement directly with its local bookstore or other customers, this will almost certainly interfere with the quality of the SPU sales process and customer service, and lead to unnecessary confusion for the customer about what is owed to whom, where future orders should be placed and on what terms, and where returns should be sent, to name only a few of the potential problems. We have ongoing business with virtually every viable book outlet; when SPU takes over distribution, this change for the customer must be clean and decisive.

# 2. Services to be Performed by SPU and by Publisher

- (a) SPU agrees to perform at its sole expense the following services:
  - (i) Order processing and billing
  - (ii) Maintaining and collecting accounts receivable
  - (iii) Shipping of books and processing of returns

(iv) Listing information on Publisher's title(s) in SPU's database, from which sales materials are created, and which is transmitted regularly to major book retailers and wholesalers

(v) Listing of Publisher's title(s) in such specialty catalogs, fliers, e-mails, and sell sheets as SPU, in its sole judgment, determines are appropriate

(b) Publisher shall perform at its sole expense and shall be solely responsible for:

(i) All publishing functions with respect to the titles distributed hereunder including, without limitation, receiving, recording, and returning of manuscripts

- (ii) Editing and copying
- (iii) Accepting or rejecting works for publication
- (iv) Negotiation and execution of publisher/author contracts
- (v) Copyright registration and renewal

(vi) Manufacture of books (including plant, composition, paper, printing and binding) and all shipping costs arising from delivery of the books to SPU's distribution center.

- (vii) Promotion and advertising
- (viii) List pricing of all titles
- (ix) Payment of author's advances and royalties

# (a) and (b) just make clear that Publisher remains in charge of the basic publishing decisions and responsibilities.

(c) Publisher agrees to promptly and accurately fill out and submit all information forms that SPU will send to Publisher for the purpose of producing the databases and sales materials in which the book will be featured; and further agrees that failure to do so may result in the forfeiture of the setup fee indicated below. The information will include, but not be limited to, the following:

(i) Title, author's name, ISBN(s), format, number of pages, list price

- (ii) Written information about book contents and author information
- (iii) Competitive title information
- (iv) Reviews of publisher's title(s) as they become available
- (v) Previous sales history detail report, if any
- (vi) Digital file of color book cover art at 300 dpi or higher

(d) Publisher will inform SPU of any contemplated sale of rights of Publisher's books that could substantially affect SPU's distribution efforts, and will not conclude any rights sales that would in SPU's sole judgment substantially adversely affect sales of the books during the term of this agreement. Rights sales include the sale of the rights of the book to be published by another publisher in any format.

(e) Publisher has the right to handle direct-mail solicitation efforts, that is sales of the book to individuals approached through direct mail solicitation or coupon advertising; but Publisher shall also have the right pursuant hereto to request fulfillment of any such direct-mail orders by SPU. In such event, SPU shall allow Publisher to use SPU's address and 800 ordering number in its advertising, and SPU will process such orders through its credit card processing system. SPU's service charge for handling these direct, prepaid sales shall be the same as for its sales to book trade accounts; SPU shall bear the costs of the 800 calls and the credit card processing fees.

(f) Publisher will arrange for the delivery, to the SPU distribution center, of the number of copies of Publishers title(s) initially requested by SPU and also such additional copies as SPU determines from time to time are needed for ongoing sales. SPU is not obligated to receive Publisher's entire inventory, and will solely determine the number of units to be shipped to SPU. Publisher must follow the instructions for labeling each shipment that are posted on the SPU website and that will from time to time be updated. For all titles that Publisher decides to offer in digital format, Publisher will also send to SPU a digital copy of its title(s) which SPU may use to sell copies to digital or e-book retailers.

Paragraphs 2 (c) through (f) describe Publisher's responsibilities in regard to giving SPU timely information and to keeping the title(s) in stock. Paragraph (e) above makes SPU direct fulfillment services available to Publisher, but only if Publisher so chooses.

### 3. Schedule of Service Charges and Reporting Procedures

(a) Service charges for services rendered hereunder, Publisher agrees to pay SPU, and SPU agrees to accept service charges calculated in accordance with the provisions of this Section, as follows:

(i) For all regular sales hereunder, SPU's service charge will be 30% of net billings. For the purpose of this agreement, "net billings" shall be defined as gross billings invoiced by SPU pursuant hereto excluding shipping charges, less returns credited by SPU pursuant hereto. For sales of digital or e-book copies, the service charge will be 20% of net billing.

The basic distribution fee of 30 percent is based on the "net billing." The billing is what SPU charges its customers for books, the after discount or wholesale price. It is "net" in that it is calculated on books shipped less books returned. Shipping charges are not part of the billing.

(ii) Publisher shall be charged at the rate of 10% of the amounts credited for all returns. Returns will be handled by SPU pursuant to its regular returns policy, it being understood, however, that the enforcement of such policy is subject to ordinary considerations of industry practice, based upon such necessary factors as maintenance of goodwill with booksellers. Enforcement of returns policy shall be solely at SPU's discretion.

When a book is returned to SPU, the amount SPU credits the customer (the reverse of what was billed for it) is deducted from the amount on which SPU's fee is calculated.

What this means in practice is that SPU refunds to Publisher the distribution fee it has taken on the sale of any book if that book is then returned. SPU does however charge a 10 percent fee (10 percent of the amount initia lly billed) for processing the return. This fee covers some (by no means all) of the cost of selling and shipping a book in the first place, and then all the cost of reversing the sale and receiving and inspecting the copies returned. About 90 percent of returned books can be put back into stock and perhaps be sold again. Historically, SPU's returns have been 20 percent of sales, which is much lower than the industry average.

SPU has to give its customers, on average, just a bit less than a 50 percent discount from list price. The distribution fee specified by this agreement is 30 percent of the net billing, which means that Publisher 's share of the net billing will be 70 percent. The math runs like this: 70 percent of 50 percent equals 35 percent; i.e. Publisher will receive slightly more than 35 percent of list price for each copy sold.

For instance a \$14.95 list price book sold by SPU at a 50 percent discount would return \$5.23 to Publisher. Note that discounts are subject to change. SPU's fee will always be based on the actual discounts that it offers its customers.

(iii) For inclusion of a Publisher's title in the SPU database and sales materials, Publisher will pay SPU a one-tim e setup charge of \$200.00 for the first title'included, due on signing of this Agreement. All titles listed will in clude a color im age of the book cover or jacket, com plete specifications, and descriptive copy and author inhormation produced by the SPU staff from'the information provided by Publisher. Publisher's title will also be included in order forms and other material provided by SPU to its sales reps.

Over the last few years, the efficient electronic communication to major players in the book trade—of accurate titles, specifications, cover images, price, descriptive copy, availability, and much more—has become an essential factor in the success of selling a book. The potential sales of a title are greatly increased if the data is not only accurate, but also submitted using the technology that each account requires for their individual system. The SPU title data is sent to more than 90 important customers every week, in exactly the format requested by each customer. The SPU setup fee covers a small portion of the costs of preparing, submitting, and continually updating this data.

(iv) If the Publisher requires stock to be tranuferred from the SPU distribution center to the Publisher's own offices, the charge will be \$1.0 0 per copy (or a maximum of \$4.00 for quantities up to the full carton count), \$4.00 per carton, or \$50.00 per skid on single titles that can be shipped in their original cartons, plus freight charges. If a publisher would like for us to ship some of their books back to them, we will do so at these costs. This is not a money-making venture for SPU but a service to its clients.

(v) On orders invoiced by Publisher to be shipped by SPU to third parties, SPU shall be entitled to charge Publisher 10% of the invoiced amount plus freight charges. Publisher can ask SPU to ship

such as a doctor's office or specialty retailer that doesn't normally carry books. Publisher is responsible for the billing but will send SPU shipping information.

(vi) If Publisher wishes SPU to send out review copies, the charge for this service will be \$2.00 per copy plus postage.

(vii) In the event Publisher shall at any time be indebted to SPU due to excessive returns of Publisher's books, which may occur from time to time and is not uncommon in the book publishing industry, or due to sales activity that does not generate enough revenue to cover storage charges, SPU may request payment from Publisher. If payment is not received in thirty (30) days, SPU shall have the right to recoup or setoff such indebtedness from any money payable to Publisher hereunder or from any property of Publisher, including copies of titles, in SPU's possession. From time to time publishers don't follow through on the PR and promotion they have indicated would happen on a title, or a title just doesn't sell as much as expected. SPU uses every effort not to oversell a book but occasionally more books come back than go out for a period of time.

(viii) There will be no storage charges for Publisher's stock except if the quantity in the SPU warehouse exceeds the copies needed for any title to fill orders anticipated in the coming six (6) months. The quantity needed for six (6) months shall be the number sold the previous six (6) months. The storage charge for copies greater than needed for six (6) months shall be \$0.03 per month per unit.

(ix) Obligatory advertising charges such as are now required by Amazon, and such others as may in future be required, will be deducted from amounts owed Publisher, and SPU will have the authority to direct how such obligatory advertising charges are used in regard to specific advertising programs. Books that come up on the top of searches at major online book retailers are often at the top due to the retailer's co-op advertising arrangements with the publisher.

(x) Publisher agrees to become a member of the Independent Book Publishers Association # (IBPA), and to remain a member of that organization so long as this agreement remains in force. The setup fee includes a one-year membership to IBPA if Publisher is not already a member.

(b) Reporting and Payment Procedures

(i) SPU will render an accounting of sales, which may be accessible to Publisher exclusively in an electronic format, within ten (10) days after each month in which sales are made. Any obligatory advertising fees charged by customers to SPU will be passed through to Publisher. SPU will remit the net amount of such sales within one hundred and twenty (120) days of the rendering of such accounting, less a reasonable amount, not to exceed 20% of monthly gross sales, to create a reserve to cover anticipated returns. If the amount owed is less than \$50.00, payment will be withheld until such time as the amount owed is over \$50.00. Payment will be made electronically to Publisher's bank account.

"Obligatory advertising fees" refers to the Amazon.com policy that requires publishers to participate in various promotional opportunities, and there may be more such charges by other customers in the future. The Amazon.com charge is currently three percent of sell through.

(c) If a major customer defaults

i) If Barnes & Noble, or Borders, or Books-a-Million, or Ingram, or Baker & Taylor files a petition in bankruptcy, or a petition for arrangement, or a petition for reorganization; or an order is entered directing the liquidation of any of these customers as in bankruptcy; or an assignment of such events to the extent that SPU is not paid in full for Publisher's books shipped to such a customer, the amount owed to Publisher by SPU will be limited to the historical printing cost of the books not paid for rather than the amount invoiced by SPU for such books.

There is currently some concern about the financial health of one of the major booksellers. If SPU could not limit its financial exposure, it would not be willing to ship books to this very large and important customer. Note that the real loss to a publisher in the case of a default is the manufacturing cost of the books that are not paid for—which SPU is willing to cover—rather than the full invoice amount, which is typically about four times greater. Defaults that arise from disputed charges, or from nonpayment by accounts other than the customers listed above, will borne entirely by SPU, and Publisher will be paid on the basis of the full invoice amount.

## 4. Publisher's Representations, Warranties, and Agreements

As a continuing inducement to SPU to enter into this Agreement and to perform its obligations hereunder, Publisher represents, warrants, and agrees as follows:

(a) Publisher is a \_\_\_\_\_\_ (type of business) duly organized and validly existing in good standing under the laws of the State of \_\_\_\_\_\_ and has the power to own its properties and carry on the business presently being conducted by it.

The first blank asks whether Publisher is a Corporation, a Limited Liability Corporation (LLC), a Partnership, or a Sole Proprietorship. The second blank asks for the state in which Publisher is organized.

(b) The execution and performance by Publisher of this Agreement has been duly authorized by all necessary corporate action and will not violate any law, rule, regulation, order, right, judgment, decree, determination, or award presently in effect having applicability to Publisher or result in a breach of or constitute a default under any agreement or instrument to which Publisher is presently a party or by which Publisher or its partners, employees, or property is bound.

(c) Publisher has the right to publish all material published and distributed pursuant to this Agreement; all such material will be protected by copyright to the extent copyright is available, and will not, in whole or in part, infringe any copyright, or violate any right of privacy or other personal property right or contain any libelous, scandalous or obscene matter, or matter otherwise contrary to law or in violation of the rights of any third parties.

(d) Publisher accepts that its publicity and PR efforts in support of its title(s) are crucial to its (their) success, and understands that SPU's efforts to market any title must be proportional to that publicity and PR effort, the adequacy of which will be determined by SPU's sole judgment; and further Publisher holds SPU harmless from any allegation or claim that SPU did not use its best efforts, or did not perform any duty arising from any provision of this agreement, or meet any supposed standard or custom of the book trade, to market Publisher's title(s).

(e) Publisher shall indemnify SPU against, and shall hold SPU harmless from, any loss, cost, expense (including reasonable attorneys' fees), or damage occasioned by the claim, demand, suit, settlement (if made with Publisher's consent which will not be unreasonably withheld) or recovery arising, without limitation, from any breach, or alleged breach of any of Publisher's representations, warranties, or agreements as herein set forth.

SPU has no way to know that Publisher's titles do not infringe rights of third parties, or copyrights owned by others, or are defamatory, etc. Publisher, however, does and this is why SPU is justified in requiring indemnification against these hazards.

#### 5. SPU's Representations, Warranties, and Agreements

As a continuing inducement to Publisher to enter into this Agreement and to perform its obligations hereunder, SPU represents, warrants and agrees as follows:

(a) SPU is a subsidiary of CRP, a corporation duly organized and validly existing in good standing under the laws of the State of Illinois and has corporate power to own its properties and carry on the business presently being conducted by it.

(b) The execution and performance by SPU of this Agreement has been duly authorized by all necessary corporate action and will not violate any law, rule, regulation, order, right, judgment, decree, determination, or award presently in effect having applicability to CRP or any provision of its Certificate of Incorporation or By-Laws or result in a breach of or constitute a default under any agreement or instrument to which it is presently a party or by which it or its officers, employees, shareholders, or property is bound.

(c) SPU shall indemnify Publisher and hold Publisher harmless against any and all cost, expense (including reasonable attorneys' fees) or damage occasioned by the claim, demand, suit, settlement (if made with SPU's consent which shall not be unreasonably withheld), or recovery arising out of any misrepresentations by SPU or its agents or employees in any advertising or promotional activities, unless such misrepresentations are based on material or information supplied by Publisher to SPU pursuant hereto.

SPU is happy to indemnify Publisher against hazards over which SPU does have control.

## 6. Duration and Termination of the Agreement

(a) This Agreement shall be effective upon execution by both parties, shall extend for an initial period of one year, and shall renew automatically each year thereafter, subject however, after the initial one year period, to termination by either party giving six (6) months written notice to the other. SPU will accept returns for six (6) months after the termination of this agreement, at which time SPU will prepare an accounting of the credits issued and the return processing fees charged by SPU and monies due either party shall be paid by the other party within thirty (30) days of the rendering of this accounting, depending on the adequacy of the reserve withheld. At termination, SPU will coordinate the transfer of inventory to the party or parties designated by Publisher. The cost of shipping will be Publisher's expense.

If a termination occurs, there must be a period of six months when SPU cannot ship any copies of a title, but yet must be willing to accept copies as returns. This is why SPU needs to hold on to the returns reserve for such a long time.

# 7. Miscellaneous Provisions

#### (a) Title to works

Title to Publisher's book distributed by SPU pursuant hereto shall be and remain in Publisher, subject however to SPU's setoff right as set forth in subsection 3(a)(vii) hereof. Except as provided above, all copies placed in SPU's distribution center by Publisher will be on consignment to SPU. Publisher shall be solely responsible for insuring its stock consigned to SPU, and Publisher waives any claims that Publisher or any insurance carrier or other party with rights of subrogation could have against SPU arising out of SPU's obligations under this Agreement.

Publisher agrees to allow SPU to take from stock at no charge as many as fifty (50) copies of each of Publisher's titles to be used as salespersons' samples and samples to key buyers, or one hundred (100) copies if the title is determined by SPU to have sales potential in the gift trade market, and SPU shall not be responsible for normal inventory shrinkage. In the event that the quantity of copies on hand in the SPU distribution center of Publisher's title exceeds, based on any previous six (6) months total sales, the quantity required by SPU to fill orders for the next six (6) months, SPU may at its sole discretion return the excess copies to Publisher at Publisher's expense.

During the life of any title, a few copies disappear. In some cases a customer claims to have been short-shipped and a few copies have to be resent. Some returns are damaged in shipping or by rough handling. Every now and then a warehouseman damages a book by dropping it. But by far the greatest cause of "inventory shrinkage" is an undercount when the copies are first received. This initial bad count will look like a shortage when the inventory is drawn down, but in fact no copies have actually been lost. This is why SPU is not willing to be responsible for "normal inventory shrinkage."

(b) SPU's right to refuse to distribute

SPU reserves the right, to be ezercised awany time and from time to time. to reduse to perform services as set forth herein fot cny given title if adviued to do so by counsen'd{ reason of risk of liability or litigation against it, or by reason of the material breach by Publisher of its representations and warranties as set forth in Section 4 hereof.

We never have had to do this even once in 30 years in the book business, but it could happen.

### (c) Arbitration

In the event of any dispute under this Agreement arising between or among the parties, either party may request the other party to agree to submit such dispute to arbitration in the City of Chicago in accordance with the then-current rules of the American Arbitration Association. Absent an agreement to arbitrate, exclusive jurisdiction for the determination of any such dispute solely between or among parties to this Agreement is hereby vested in the Circuit Court of Cook County, Illinois, or at the election of either party if the jurisdictional prerequisites at the time exist, in the United States District Court for the Northern District of Illinois, and each party hereto agrees to submit to the jurisdiction of either such court in the City of Chicago and State of Illinois for the determination of any such dispute, and hereby consents (in addition to service of process by any other means provided at the time by law) to services of process on it by certified mail, first-class postage prepaid, return receipt requested, addressed to the defendant named in such process at the address to which notices may be given pursuant to subsection 6(e) of this Agreement, and that notice by mail so given shall be deemed to confer jurisdiction upon such court.

## (d) Litigation and right to defend

Each party hereto shall give to the other prompt written notice of any suit, proceeding, claim, or demand brought, made, or threatened against it on the basis of or in connection with Publisher's books distributed under, or other matters set forth in, this agreement. If any such suit, proceeding, claim, or demand is brought or made, SPU may elect (a) to undertake the defense thereof through counsel of its choosing, or (b) to notify Publisher to undertake the defense. If SPU does so notify Publisher, Publisher shall undertake such defense; and in such case SPU may, at its option, join in the defense. In either case, the costs and expense of any defense shall be borne by Publisher, and Publisher shall hold SPU harmless against any loss, liability, damage, cost, or expense (including without limitation, reasonable attorneys' fees) finally sustained.

## (e) Notices

All notices, demands or requests required or permitted to be given or made upon SPU or Publisher hereunder shall be deemed to have been duly given or made when delivered to the party to be notified or mailed to said party by registered or certified mail, return receipt requested, postage prepaid, in the case of SPU to:

Chicago Review Press 814 North Franklin Street Chicago, Illinois, 60610

And in the case of Publisher to:

Name:	
Address:	
City/State/Zip:	
Phone:	
Fax:	
E-mail:	

or at such other address as said party shall have designated in a written notice to the other party.

# (f) Laws applicable to agreement

This Agreement shall be construed in accordance with the laws of the State of Illinois. Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement shall be prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement.

### (g) Successors and assigns

This Agreement shall be binding upon and inure to the benefit of the successors and assigns of the parties hereto. (h) Waivers are not cumulative No waiver of any term or condition of this Agreement, or of any breach of this Agreement or of any part thereof, shall be deemed a waiver of any other term or condition of this Agreement or of any later breach of this Agreement or of any part thereof, nor shall distribution or continued distribution of any title by SPU following notice or claim of facts that, if true, would constitute a breach of any warranty, representation or agreement of Publisher, constitute or imply any waiver by SPU of any defenses, rights, or remedies of SPU.

# (i) Entire agreement

This Agreement constitutes the entire agreement, supersedes any and all prior agreements and understanding between SPU and Publisher with respect to the subject matter hereof, may be executed simultaneously in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument, and may be modified only by an instrument in writing signed by the duly authorized representative of both parties.

SAMPLE AGREEMENT ONLY. NO SIGNATURE AREA PROVIDED. YOU WILL RECEIVE THE OFFICIAL AGREEMENT (EXACTLY THE SAME, MINUS THE ITALIC TEXT) AND A SPACE WILL BE PROVIDED FOR YOUR SIGNATURE.