

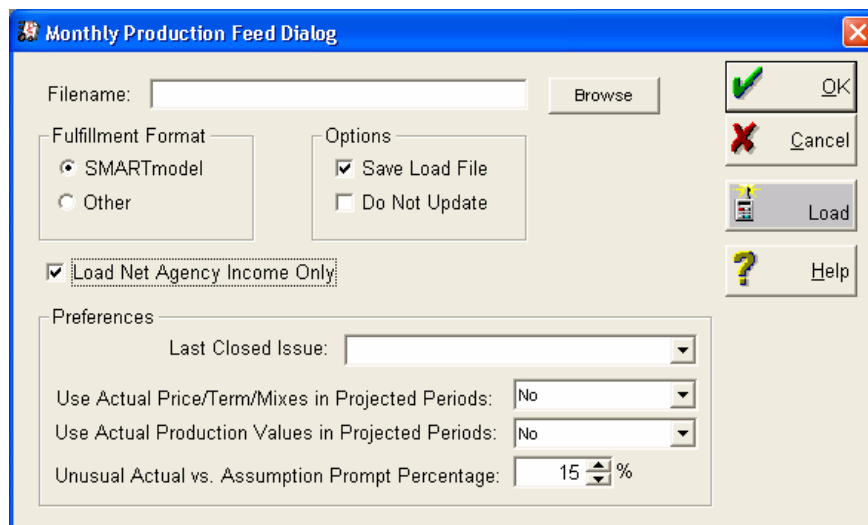


RECENT FEATURES ADDED TO SMARTmodel

For Release: May 2010

We are happy to announce that the latest version of **SMARTmodel (8.1)** is available for client use. The following system changes and enhancements are featured:

- The Model Initialization Module has been updated to more fully automate loading adjusted inventory expires, renewal and new business source assumptions to **SMARTmodel**.
- A new Monthly Production Feed has been added that allows you to actualize all monthly order production using your fulfillment format with one click of the button. Now you can automate updating subscription marketing production, use actual price/term mixes and apply newly actualized assumptions to continue in future periods.



- Also, the new automated data feed now supports multiple editorial “products” such as print and digital editions. This addition allows you to more easily model Print vs. Digital subscribers.
- Accounting for Agency Commission now can be handled three ways:
 - Net method – Revenue and income reports will display only the net revenue and income. No reporting of Commissions will be made
 - Gross method - Revenue and income reports will display the gross (full price) revenue and income. Commissions will be calculated based on the source's expense assumptions, and reported based on the field departmental assignments.
 - Contra revenue method - Revenue and income reports will display the gross (full price) revenue and income. Commissions can be shown as a contra revenue account.
- A new "Unidentified Renewals & RABs" dialog has been added to the Inventory Maintenance screen that allows you to reduce expire pools to account for Unidentified Renewals and RABs.

- A “Chinese Wall” has been added to the system. **SMARTmodel** now allows you to combine Circulation Results from one project with Financial Assumptions from a separate project. This allows you "departmentalize" model work, allowing the circulation group to build their circ model, then allow the financial / accounting group to independently incorporate their corporate financial assumptions to build a complete model of the business. In the past, these two functions needed to occur in the same project. Now, they can be part of separate projects, preventing the circulation group from seeing and / or changing financial assumptions as well as preventing the Financial group from seeing and / or changing circulation assumptions.
- A new Sub Bad Debt calculation method has been added ... you can now show bad debt expense as copies are served. See Exhibit A for a review of the four ways subscription income can be calculated in **SMARTmodel**.
- The **SMARTmodel** Inventory Feed now supports inventory expires in two ways:
 - a. “Due for renewal” - Expire is shown in the issue **after** the last copy of the subscription is served.
 - b. “Last Issue Served” – Expire is shown in the issue **that** the last copy of the subscription is served.

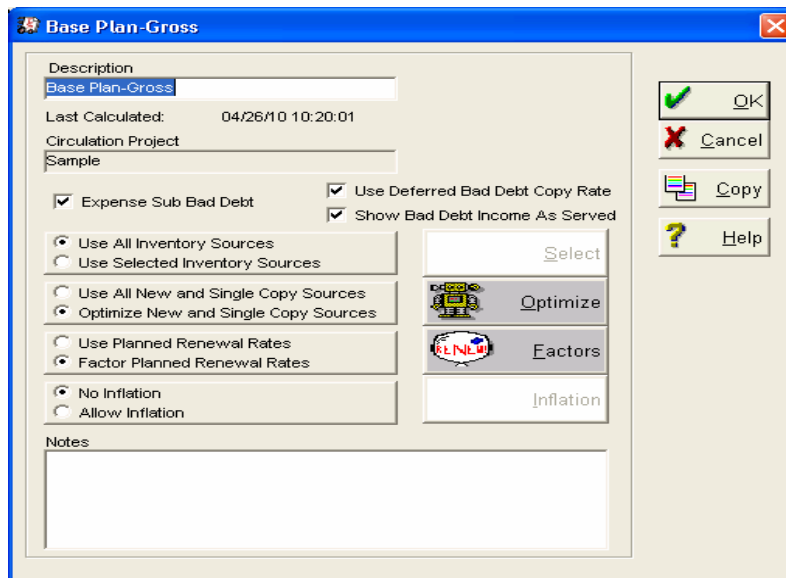
Expire Type	Issue 0	Issue 1	Issue 2	Issue 3
Due for Renewal		455	1000	765
Last Issue served	455	1000	765	

- The following is a list of other changes / fixes ...
 1. Agency Inventory Expenses are now adjusted down based on Inventory Payup rates.
 2. Agency Deferred Expense field is now valid in all circulation reports.
 3. When modeling Agency business on a “Net” basis, direct feeds correctly adjust Agency pricing and zero out commission %.
 4. Advanced Renewal calculated Universe is now viewable in all circulation reports.
 5. Reducing the Plan Length with assumptions in deleted years no longer causes an error.
 6. Applying Inventory Payup when served BadPay issues extend beyond the end of the model no longer causes an error.
 7. List size calculations have been adjusted for non-monthlies.
 8. On/Off report now correctly excludes sources not included in the Circulation Plan.
 9. Missing Ad Assumptions no longer causes an error in the Circ Summary Report.
 10. Financial report export now handles reported years that are not calculated in the Financial Plan.
 11. In the Plan Comparison Report (in plans 2+), reporting Agent commissions as a contra-revenue account no longer overwrites source revenue.
 12. The Project Director Assumption report now shows the Issue Load Descriptions.
 13. The Cashflow 100% warnings now include the actual %.
 14. The functionality that allows you to “Paste” a series of assumptions copied from a Spreadsheet has been enhanced.

For more information about downloading the latest version and implementing Version 8.0 please contact Jim Jankowski at jjankowski@laddassociates.com or 603-448-0448.

Sub Income Calculation Methods

In the Circulation Optimizer subscription Income can be calculated one of four ways:



1. **Net basis: standard.** All subscription revenue/income results are shown on a net paid basis after non-pay revenue copies are subtracted.

Example: The earned income statement for 1000 4 issue subs sold at \$10 each (with 50% non-pay and 2 non-pay copies served) will be reported as follows:

Issue	1	2	3	4	Total
Earned income	\$1,250	\$1,250	\$1,250	\$1,250	\$5,000
Non-pay expense	\$0	\$0	\$0	\$0	\$0
Paid copies	500	500	500	500	2,000
Non-pay copies	500	500	0	0	1,000

2. **Gross gross basis:** Subscription revenue/income/expense reports show total gross value for a full subscription term sold. Non-pay income per copy is calculated by dividing the total subscription price by non-pay copies, and the expense for the full non-pay sub is taken in the issue after the last non-pay copy is served.

Using our example from above, the earned income statement will show the following:

Issue	1	2	3	4	Total
Earned income	\$3,750	\$3,750	\$1,250	\$1,250	\$10,000
Non-pay expense	\$0	\$0	\$5,000	\$0	\$5,000
Paid copies	500	500	500	500	2,000
Non-pay copies	500	500	0	0	1,000

To calculate using this option check only the box marked Expense Sub Bad Debt.

3. **Gross-net basis:** Subscription revenue/income results show only gross value of the non-pay copies actually served and not the full value of non-pay subscriptions sold. The expense for each non-pay copy served is taken in the issue after the last non-pay copy is served.

Using our example from above, the earned income statement will show the following:

Issue	1	2	3	4	Total
Earned income	\$2,500	\$2,500	\$1,250	\$1,250	\$7,500
Non-pay expense	\$0	\$0	\$2,500	\$0	\$2,500
Paid copies	500	500	500	500	2,000
Non-pay copies	500	500	0	0	1,000

To calculate using this option check both the box marked Expense Sub Bad Debt and the box marked Use the Bad Debt Copy Rate.

4. **Gross-net (As Served) basis:** Subscription revenue/income results show only gross value of the non-pay copies actually served and not the full value of non-pay subscriptions sold. The expense for each non-pay copy served is also taken in the issue where the copies are served.

Using our example from above, the earned income statement will show the following:

Issue	1	2	3	4	Total
Earned income	\$2,500	\$2,500	\$1,250	\$1,250	\$7,500
Non-pay expense	\$1,250	\$1,250	\$0	\$0	\$2,500
Paid copies	500	500	500	500	2,000
Non-pay copies	500	500	0	0	1,000

To calculate using this option check the box marked Expense Sub Bad Deb, the box marked Use the Bad Debt Copy Rate, and the box marked Show Bad Debt Income As Served.