**DEEP ZEN LIMITED**

**SUPPLEMENTARY TERMS AND CONDITIONS**

**FOR DISTRIBUTION SERVICES**

These are the supplementary terms and conditions (the **“Supplementary Terms”**) under which Deep Zen Limited (**“DeepZen”**) will provide services relating to the distribution of Audiobooks (as defined below).

These Supplementary Terms supplement and form an integral part of the terms and conditions (the **“Base Terms”**) that govern the use of DeepZen’s customer portal (the **“Customer Portal”**) for the automated production of audio files from texts provided by customers.

Terms used but not otherwise defined in these Supplementary Terms shall have the meanings attached to them in the Base Terms.

1. Definitions

**“Artwork”** means any art, artwork, images, photographs, cover art, video marketing materials associated with an Audiobook that is submitted or provided by or on behalf of the Customer.

**“Audiobook”** means a digital file, including, without limitation, the sound recording, the art, Artwork, images, Audiobook Music, metadata, text, photographs, video marketing materials and other related materials associated with the Underlying Text.

**“Audiobook Music”** means any music within an Audiobook that is submitted or provided by or on behalf of the Customer.

**“Distribution Partners”** means any retail and wholesale channels, schools, libraries, and other outlets to or through which DeepZen distributes the Audiobooks.

**“Master Recording”** means the first or original recording of an Audiobook, from which all the later copies are made.

**“Preview”** means a sample of an Audiobook created from the Master Recording or provided by the Customer.

**“Recordings”** means the digital sound contained within the Audiobook.

1. Undertakings
	1. **Customer’s Undertakings**
		1. The Customer hereby appoints DeepZen as its non-exclusive partner to distribute directly and/or through affiliates or Distribution Partners, throughout the World, Customer’s Audiobooks; *provided* such appointment shall be exclusive for the Distribution Partners listed in Schedule 1.
		2. Any Customer Audiobook produced on the Customer Portal by the Customer or DeepZen shall automatically be subject to these Supplementary Terms unless specifically requested to be excluded by the Customer in writing.
		3. The Customer hereby grants to DeepZen non-exclusive worldwide distribution rights for a period of no less than one (1) year from first distribution of each Audiobook.
		4. If the Customer (a) does not hold the requisite rights to any Audiobook in certain territories or parts thereof or (b) wants to exclude any territories, it will inform DeepZen in writing accordingly and such territories shall be excluded from DeepZen’s distribution.
		5. The Customer hereby grants the right to DeepZen to hold and use the Master Recordings, all associated Recordings and intellectual property in the Underlying Text for each Audiobook for the duration of the associated distribution period.
		6. The Audiobooks shall be distributed solely by means of digitally delivered downloads and any other medium for sound reproduction or transmission now known or which may hereafter become known or developed.
		7. The Customer grants to DeepZen and its Distribution Partners a non-exclusive, royalty-free, worldwide license to use the Customer’s brand features in connection with the Audiobooks and the marketing, promotion and advertising of the Audiobooks. All use of Customer’s brand features, and all goodwill associated with that use, will inure solely to the benefit of the Customer. Subject to the express license granted, rights, title, and interest in and to Customer’s brand features are and will remain with the Customer.
		8. The Customer authorizes DeepZen to create Previews not exceeding 10% of the runtime of each Recording.
		9. The Customer agrees to provide DeepZen with cover art, book descriptions, the SRP (Suggested Retail Price) and SLP (Suggested Library Price) exclusive of VAT in United States Dollars (USD), BISAC/BIC/Thema category codes any other information required in order to complete the metadata requirements of each Audiobook produced and distributed by DeepZen.
		10. The Customer represents and warrants that it holds unrestricted and unencumbered copyright, license, sublicense and other intellectual property rights (including specifically granted digital and audio rights) to all Underlying Text.
		11. The Customer understands that neither DeepZen nor any Distribution Partners have any obligation to make any Audiobooks available on their services, and DeepZen and its Distribution Partners reserve the right to remove (permanently or temporarily) any Audiobook from their services in their sole discretion.
	2. **DeepZen’s Undertakings**
		1. On written request by the Customer, DeepZen shall update the Audiobook’s metadata, and send updates to distribution partners within five (5) working days.
		2. DeepZen shall manage distribution of Audiobooks to third party platforms via its Distribution Partners.
		3. DeepZen shall bill and collect the amount due for all sales of the distributed Audiobooks.
		4. DeepZen shall receive and respond as appropriate to all customer service inquiries.
		5. DeepZen shall return the relevant Master Recordings, remove from distribution, unless otherwise agreed, and all related assets to the Customer on termination of the distribution term for each Audiobook.
		6. DeepZen warrants that (i) it has the full, right, power and authority to enter into this Agreement and to perform its obligations hereunder and (ii) it has the requisite know-how to produce the Audiobooks.
2. Fees, Royalties, Remittance and Accounting
	1. Fees and royalties shall be as set forth in Schedule 2.
	2. DeepZen shall pay to Customer remit payments twice yearly. For sales between January to June, reports will be sent by 30th September, and for sales between July and December, reports will be sent by 30th April.
	3. Royalties shall be withheld until the amount due to the Customer is equal to or greater than $100 USD (or GBP equivalent). Any outstanding royalties due, alongside royalties accrued within the last month of the calendar year, will be remitted alongside statements of account within ninety (90) days following the end of the period.
	4. Payments will be made to the Customer in United States Dollars (USD) unless otherwise agreed upon.
3. Term and Termination
	1. For each Audiobook, the initial distribution term is two (2) years from DeepZen’s first distribution.
	2. The initial term shall be renewed automatically for one (1)-year terms unless the Customer provides DeepZen with at least three (3) months’ written notice prior to the expiration of the initial term or any extension, as applicable.

**SCHEDULE 1**

# Distribution Channels, Business Models and Royalties

Assets will be delivered to the following distributors who will deliver audiobooks to the vendors detailed below. Please note we cannot guarantee that every vendor will accept your audiobook for sale and that this information is provided for guidance only. Our distribution partners’ agreements state that Distribution Channels, Business Models and Royalties are subject to change without notice.

**Company X:**

|  |  |  |
| --- | --- | --- |
| **Channels and Business Models** | **Audiobook Royalty\*****(% of SRP/SLP/ Pay Per Circulation price)** | **Description** |
| **RETAIL CHANNEL** |
| *Retail (a la carte)* |
| Apple Books, Audiobooks NZ, Beek, eStories, Google, Instaread, Kobo, NOOK, Audiobooks.com | 50% | One copy, one use |
| Hummingbird, Libro.FM | 45% |
| Downpour\*\* | 40% |
| Amazon\*\*  | 25% |
| *Subscription* |
| Playster | 32% | Unlimited subscription |
| 24symbols, Audiobooks NZ, Beek, Downpour, eStories, Kobo, Libro.FM | 32% | Credit-based subscription |
| Audiobooks.com | 40% |
| Audible\*\* | 25% |
| *Revenue Pool Subscription* |
| hibooks, Scribd, Storytel | *--* | Subscription based revenue pool |
| *Combined Portions Model (CPM)* |
| Nextory | 32% | Listening based payment |
|  |
| **LIBRARY CHANNEL** |
| *Library (A la Carte)* |
| Baker & Taylor, Bibliotheca, EBSCO, Follett, MLOL, Odilo, Perma-Bound, 3Leaf Group, Wheelers,  | 50% | One copy, one use |
| Overdrive | 45% | One copy, one use |
| *Library Pay Per Circulation* |
| Bibliotheca, Odilo, MLOL | 50%  | Pay per circulation |
| hoopla | --- |
| Overdrive | 45% |  |

\*Customer receives share of Distribution Royalties less a 15% distribution fee retained by **Company X**.

\*\*Royalties for sales through Audible, Amazon and Downpour are paid off retailer’s sales price, not SRP/SLP.

**BUSINESS MODEL DESCRIPTIONS**

1. Unlimited subscription: Customers pay a flat monthly price to subscription service for unlimited access to audiobooks. A sale occurs each time a subscriber consumes 15% or more of the audiobook.

2. Credit-based subscription: Customers pay a flat monthly price to subscription service for credits allocating them a fixed number of audiobooks per month. A sale occurs each time a customer uses a credit to access an audiobook.

3. Pay-per circulation: For Audiobook sales that permit Library patrons to borrow access to a digital audiobook for a specific period of time that is automatically terminated upon expiration of the lending period or return of the digital audiobook. Allows for unlimited circulation of licensed copies with access being limited to one (1) patron per borrowed copy.

* Pay Per Circulation pricing will be set as follows for Overdrive:
	+ The Pay Per Circulation price shall be either 8% of the SLP or $0.99, whichever is greater.
* For circulations of content on hoopla, royalty payouts will be generated based on the total duration of the content, as outlined in the table below:

Duration in Minutes Royalty Payout

0-90 $0.24

91-180 $0.34

181-300 $0.49

301-420 $0.64

421-540 $0.74

541-660 $0.84

661-780 $0.99

781-960 $1.14

961-1080 $1.24

1081-9999 $1.34

* For all other library partners offering Pay Per Circulation, pricing will be set as follows:
	+ SLP of $15 and under = $.99
	+ SLP of $15.01 to $25 = $1.99
	+ SLP of $25.01 and above = $2.99 .

4. Pool subscription: Customers pay a flat monthly price to access a subscription service which contributes to a shared revenue pool. Royalties paid based on Publisher's pro-rata share of total audiobook listening for each monthly period.

5. Combined Portions Model: combines portions of an audiobook consumed to determine sales of Audiobook Titles. Combined Portions Model (CPM) pays publishers off of SRP after 5 portions of a title have been consumed by subscription end users. A “portion” equals one fifth of an Audiobook Title. A unit purchase will be recorded for each 5 portions consumed of an Audiobook title, across any number of Users.

6. One copy, one use: In the retail channel, a customer purchases a license to the title in a traditional a-la-carte purchase environment. In the Library Channel, a school or library purchases a license to the title that may be circulated to one (1) patron at a time

**Other**

Licensee shall pay to the Customer a royalty of **80%** (eighty per-cent) of the Distribution Net Income arising out of the exploitation of the Master Recordings.

**Vendors:**

Spotify

Deezer

Napster

YouTube Music

Bookmate

Amazon Music

Apple Music

Storytel

**Business Model:** Shared Pool

**SCHEDULE 2**

# Fees and Royalties

1.1 DeepZen shall charge a set-up fee of $69/£49 for the first year of distribution and thereafter a fee of $24.99 /£19.99 per year per title for every distributed audiobook. The Fee will be collected annually in advance.

1.2 The Right Holder shall receive 100% of net royalties as set forth in Schedule A.

1.3 DeepZen shall maintain accurate books of accounts, which reflect sales and titles sold under different channels and business models separately, and report these twice yearly. For sales between January to June, reports will be sent by 30th September and for sales between July and December, reports will be sent by 30th April.

1.4 Distribution Royalties will be reviewed at least every three (3) years in accordance with the terms of DeepZen’s distribution agreements. DeepZen will endeavour to communicate changes to the Customer within ten (10) days following agreement with distribution partners, however our distribution partners’ agreements state that Distribution Channels, Business Models and Royalties are subject to change at any time without notice.