



**AUDITING
REGULATIONS**

**NEWSPAPERS &
TARGET (Bulk) PUBLICATIONS
2004**

**Verified Audit Circulation
517 Jacoby Street, Suite A
San Rafael, California 94901**

**Telephone (415) 457-3868
Fax (415) 457-3871
www.verifiedaudit.com**

INTRODUCTORY DEFINITION

For the purpose of these Regulations, VERIFIED AUDIT CIRCULATION shall be designated as VERIFIED, and the combined entity of the Publisher, Publishing Company, and any agent or employees of said Publishing Company, indicated on an active Audit Contract, shall be designated as the Client.

INTRODUCTORY NOTE

A VERIFIED Audit is available to any publication with regular periodic circulation that accepts advertising at established rates, and whose methods of distribution can be documented by auditable records.

REGULATIONS FOR NEWSPAPER AUDITS

I. VERIFIED NEWSPAPER AUDIT CONTRACT

A. Effective Dates

1. Shall become effective upon receipt by VERIFIED of a signed contract and initial payment as set forth.
2. Shall remain effective
 - a. Until written notification is received from Client indicating desire to discontinue services, as per the terms of the audit agreement.
 - b. Until Agreement is terminated by VERIFIED for Violation of any Regulation.

B. Fees -See Fees and Charges (Section V).

C. Services

1. Entitles Client to all services herein described and binds Client to all restrictions or limitations herein described.
2. No services beyond those specifically described are inferred or implied.
3. VERIFIED may, at its option only, provide other services under separate agreement.

II. USE OF VERIFIED REPORTS AND CORRESPONDENCE

A. Copies of Audit Reports and Publisher's Statements

All copies of VERIFIED Audit Reports or any other related reports must be obtained from VERIFIED. All Clients are requested to purchase from VERIFIED, at the standard rate, a minimum of one hundred (100) copies of each report. Verified will send a minimum order of twenty-five (25) copies and invoice the appropriate amount.

B. Use of Qualified Figures

Use of Average Total Qualified Circulation figures must include time period covered and Report from which figures were obtained. Detailed analysis quoted from any VERIFIED Audit Report must be accompanied by a similar reference, as well as all qualifying statements pertaining to said analysis exactly as stated on the Report.

The Average Total Qualified Circulation figure reported on the most recent Publisher's Statement or Audit Report shall be used in sales and promotional materials. Use of quarterly averages, prior averages or other figures from VERIFIED's reports must be accompanied by the Average Total Qualified Circulation from the current report.

C. Publication of Data

Data from VERIFIED Market Research Studies and Field Verification or any individual result or finding contained therein, may be published by the Client. Any modification of, or must be approved in writing by VERIFIED prior to use. Such publication must include the question asked and the statistical results exactly as stated by VERIFIED.

D. Statements Claiming VERIFIED Authority

Client shall not claim, or imply, VERIFIED authority for any figures, data, or statements except the actual figures, data, and statements as they appear literally in the Reports with the supplemental captions and the explanations as used in the Report. Circulation data not audited by VERIFIED may not be used in conjunction with VERIFIED audited data.

E. VERIFIED Correspondence

Client shall not in any way reproduce correspondence with VERIFIED, or excerpts therefrom, without specific written permission from VERIFIED.

F. Prior Release of VERIFIED Reports

Client shall not in any manner make public any VERIFIED Report prior to its final release, nor shall the name of, or reference to, VERIFIED be attached to any circulation data except that which has appeared in a bonafide report released by VERIFIED.

III. USE OF VERIFIED SYMBOL AND/OR NAME

A. New Clients

1. Upon receiving notification from VERIFIED of approval of the Newspaper Audit Agreement, a new Client may publish, or cause to be published, a statement to the effect that the publication is to be audited.
2. Any use of VERIFIED's, logo, symbol, or VERIFIED's name, prior to the issuance of the Initial Audit Report, must be accompanied by the statement, "Audit Applied For" or "Audit Pending".

3. The VERIFIED logo, symbol or name shall not be used in connection with, or to support any circulation figures, until after the Initial Audit Report has been issued by VERIFIED.

After issuance of the Report, Client may use the VERIFIED logo, symbol, or name without qualification.

B. Resignation

Should a Client, in good standing, resign from VERIFIED, said Client may continue to use the final Audit Report for six months. The resigning Client may no longer use VERIFIED's logo or VERIFIED's name, except with data included in that final Audit Report.

C. Termination

1. Should the contract be terminated by VERIFIED for any reason, Client shall not thereafter, in any way, use VERIFIED's logo, name, reports, or any data taken therefrom after the date of termination.
2. It shall be the burden of former Client to expunge from all promotional materials, rate cards, actual publication, or other printed matter, any use of VERIFIED's logo, or name, except as noted in section B supra. It shall be the further burden of the former Client to notify any and all relevant organizations, societies or associations, to which it belongs, of its resignation from VERIFIED.

IV. FINAL AUTHORITY

VERIFIED shall use all reasonable care in conducting the Audit and Verification of Circulation. VERIFIED's audit and research procedures are based on approved techniques, and statistically valid, scientific marketing research methodology. They are conducted in conformance with accepted independent auditing standards. VERIFIED reserves the right to exercise its own judgment in determining the findings to be published in VERIFIED Audit Reports.

V. FEES AND CHARGES

- A. Due and payable on first day of each month or according to Contractual Agreement.
- B. Non-refundable.
- C. Shall be established in the contract, with no discounts or extra charges except as specifically noted in the Agreement.
- D. Revision

1. VERIFIED reserves the right to adjust fees periodically.
2. Notification shall be given at least thirty days in advance.

E. Additional Charges Due to Inadequate Records

1. Records submitted to VERIFIED.

If after notice from VERIFIED, Client continues to submit inadequate records causing VERIFIED unusual expense in the performance of its services, Client shall be charged accordingly.

2. Annual Audit of Internal Records.

- a. Allotted time.

Client shall be allotted reasonable number of hours for Internal Audit of Printing and Distribution Records. Excess time shall be charged at VERIFIED's current rate.

- b. Client Negligence.

Should audit be scheduled and confirmed but not completed on scheduled day due to Client negligence, Client shall be charged, at VERIFIED's current rate, for total number of hours expended by auditor in attempting the Audit and traveling to and from office of Client.

F. Adjustments Due to Changes in Mastheads.

Appropriate charges shall be made for any time required to revise VERIFIED's records due to the addition or removal of mastheads.

VI. REGULATION VIOLATIONS

A. General Statement

The Agreement requires Client to conform to and abide by these Regulations and all amendments thereto. VERIFIED shall provide Client with an official copy of the Regulations and all amendments, thereto. Further, by such Agreement, Client may be subjected to the imposition of penalties as hereinafter set forth for violation or non-conformance.

B. Reporting of Violations

Any Notification of Violation or Non-conformance submitted to VERIFIED must be in writing, accompanied by evidence to support the existence of such violation or non conformance. Notification in this manner shall be

accepted from any recognized member of the Publishing or Advertising industries.

C. Causes for Suspension or Termination

1. Failure to maintain the records required under these Regulations.
2. Failure to make said records available to VERIFIED.
3. Failure to provide VERIFIED with any information required by these Regulations.
4. Misuse of VERIFIED's logo or VERIFIED's name, or alteration of VERIFIED circulation figures or Audit Reports.
5. Failure to comply with a Retraction or Cease and Desist Notice issued by VERIFIED in response to violations.
6. Intentional misrepresentation of actual circulation, either through providing VERIFIED with false reports, or by maintaining falsified records.
7. Failure to pay any fee stipulated in the Agreement of charges pursuant to these Regulations within a period of thirty days after receipt of invoice or statement from VERIFIED.

D. Corrective Procedures

1. Notification Thereof

VERIFIED shall mail to the last known address of the Client a Notice informing the Client of the corrective or proposed corrective action.

2. Determination Thereof

VERIFIED alone shall determine the corrective procedure to be undertaken in the case of any proven violation of these Regulations.

E. Appeals

1. Must be received by VERIFIED within fifteen calendar days after the issuance of notification. If, after fifteen days, VERIFIED has not received an appeal, the proposed corrective action shall be implemented.
2. Must be in writing, and contain all information appellant deems relevant for reconsideration of the violation or action.

F. Corrective Actions

1. Issuance of a notice demanding retraction (to be complied with within fifteen calendar days).
2. Issuance of an order to Cease and Desist.
3. Notification of all Clients of the Violation.
4. Notification of Advertisers, Agencies, and Media Organizations of the Violation.
5. Suspension of the Agreement.
6. Termination of the Agreement.

VII. SERVICES

A. Publisher's Statements

1. After each discrete six month period following the Initial Audit (VII B 1), VERIFIED shall issue a Publisher's Statement.
2. Publisher's Statements shall be "sworn to" by the publisher and circulation manager, but shall in no way be construed to contain audited data.
3. As standard procedure, VERIFIED shall...
 - a. Send one copy of each Publisher's Statement to Standard Rate and Data Service (SRDS) and other bonafide agencies so requesting.
 - b. Notify SRDS and other bonafide agencies upon signing of new contract.
 - c. Notify SRDS and other bonafide agencies upon termination of contract.

B. Audit Reports

1. VERIFIED shall issue an Initial Audit Report covering a period of six months.
2. Annual Audit Reports
 - a. VERIFIED shall issue an Annual Audit Report each year covering the twelve month period specified in the Agreement and immediately following the six month period covered by the Initial Audit Report.

b. Clients shall be expected to submit Quarterly Printing and Distribution Reports within ten days following the end of each calendar quarter.

c. Contents of Annual Audit Report

- (1) Average circulation per issue for twelve month period covered.
- (2) Breakdown of circulation by masthead or zone.
- (3) Reporting of circulation by zip code including Total Possible Deliveries.
- (4) Current map delineating boundaries of Primary Market Area of Circulation.
- (5) Receivership percentage as determined by VERIFIED in most recent Field Verification Study (not applicable for paid circulation publications).
- (6) Report of Annual In-Office Audit of records in support of claimed circulation.

d. Distribution of Audit Reports

VERIFIED may send to agencies, advertisers and publishers such copies of Audit Reports as it may deem appropriate.

C. Field Verification (controlled carrier delivery only)

D. Determination of Total Possible Deliveries

Calculated annually using current Post Office figures. Client shall semi-annually submit a completed VERIFIED Circulation Breakdown by Zip Code Report on form provided by VERIFIED.

E. Audit of Multiple Mastheads

1. More than one masthead may be included as part of the Agreement where appropriate.
2. Subject to additional fee.
3. Provides for breakdown of circulation by masthead or zone.
4. VERIFIED alone shall decide number of mastheads or zones to be included under a single Agreement.

F. Contiguity and/or Geographic Proximity of Circulation Area

1. VERIFIED shall consider contiguous circulation area as one which can be enclosed by a single continuous boundary line.
 2. Non-contiguous circulation.
 - a. Subject to additional fee
 - b. VERIFIED alone shall determine if non-contiguous circulation can be included in a single Audit Contract.
- G. Internal Audit of Printing and Distribution Records.
1. To be conducted annually in Publisher's office or at another location as determined by VERIFIED.
 2. Publication of results
 - a. Summarized in Publisher's Statements, Initial Audit Reports, and Annual Audit Reports.
 - b. Summary letter sent to Publisher.
 - c. Variances shall warrant issuance of revised Publisher's Statements and/or Initial/ Annual Audit Reports.

VIII. CLIENT RESPONSIBILITIES

- A. Supply VERIFIED with current Circulation Map and Zip Code information (B-4 and D of item VII) on request.
- B. Payment of fees in timely fashion (V).
- C. Conform to Regulations (VI).
- D. Records to be maintained.
 1. Printing
 - a. Contract
 - (1) Written permission authorizing VERIFIED's auditor to inspect client printing records.
 - (2) Invoices showing quantity printed for each issue of each masthead.
 - (3) Copies of checks in payment of all printing invoices.
 - b. In-House

- (1) Invoices for newsprint purchases.
- (2) Newsprint inventory records on perpetual or month-end basis of each masthead.
- (3) Copies of checks in payment of newsprint purchases.
- (4) Press room logs and reports.
 - (a) Initial and ending press-run readings for each masthead.
 - (b) Starting and ending times for each press-run.
 - (c) Total usable copies for each masthead printed.
 - (d) Weight and number of pages contained in each masthead printed.
 - (e) Signature of press crew foreman

2. Distribution

a. Contract

- (1) Written permission authorizing VERIFIED's auditor to inspect distribution records.
- (2) Invoices showing quantity and date of each masthead.
- (3) Copies of checks in payment of distribution invoices.

b. In-House

- (1) Carrier delivery
 - (a) Number of copies delivered by each carrier for each issue (drawsheets).
 - (b) Payroll receipts, including copies of canceled checks, showing charges and credits.
- (2) Mail
 - (a) All relevant postal receipts and checks in payment thereof.
 - (b) Current mailing list for all paid circulation.
- (3) Rack

- (a) Records of drops and returns for each issue of each masthead.
- (b) Current listing of all rack locations.
- (c) Draw sheets indicating number of copies each delivery person receives.

(4) Target

- (a) Complete listing of distribution locations at least once every three (3) months. The list must include number of papers dropped, returns, and complete address of all delivery locations. Delivery times must be noted at 15 minute intervals. Lists provide to VERIFIED are kept in strict confidence.
- (b) Route lists, for specific dates, as requested, with drops and returns noted (for comparison with figures gathered during the field monitoring). If returns are for the previous week's issue, consecutive weekly lists are required.

3. Quarterly Printing and Distribution Reporting

- a. Reporting forms supplied by VERIFIED.
- b. Forms to be filed within 10 days of quarter's end.
- c. Reports shall contain accurate summary of printing and distribution for the calendar quarter covered.
- d. Incorrect or incomplete forms to be returned for appropriate revision.

4. Paid Circulation

- a. Carrier collections must be clearly stated on carrier settlement bills and related documents and supported by bank deposit records or/or canceled checks in payment to carriers.
- b. Subscriptions

(1) Required Records

- a) Name and address of subscriber
- b) Date of payment
- c) Starting and terminating dates

d) New or renewal status

(2) Subscription rate must equal or exceed 25% of basic price of publication.

a) Value of premiums offered may not exceed 25% of the normal subscription rate. Value of the premium will be stated value of the premium (if stated), premium wholesale cost or cost of production plus 25% (if produced in-house).

c. Single Copy Sales

(1) Rack Sales

(a) Must be supported by detailed record of drops and returns per location, per issue.

(b) Rack deposits must appear separately on bank deposit slips.

(c) Must be calculated on the basic price of publication.

(d) Payment records for papers sold at different rates must be maintained separately.

(2) Dealer and Bulk Sales

(a) Must be supported by detailed invoices showing sales and returns per vendor, per issue.

(b) Dealers must be permitted to obtain credit for unsold copies.

(c) Dealer payments must appear separately on bank deposit slips. Payment records for papers sold at different rates must be maintained separately.

5. Digital Editions

a. "Digital Editions" will be used to describe publications distributed electronically.

b. A Digital Edition may be reported in combination with a print edition if the two are consistent in editorial and advertising content, as well as layout, and delivered on the same schedule. Digital Editions delivered on a different delivery schedule will be reported separately.

- c. Either electronic delivery of the Digital Edition or notification of the availability of the Digital Edition will be considered delivery.
- f. Digital Edition subscriber records should include physical address to allow Circulation Analysis by ZIP Code or other geographic reporting. If such information is not provided, subscribers will be reported as "Misc."
- g. Publisher must purge electronic addresses that are non-deliverable within 30 days of notice of invalid address. Documentation of the accuracy or viability of distribution must be provided during the annual review of records. At Verified's request, publisher will provide Verified with an electronic copy of all Digital Editions subscriber delivery addresses to be used to conduct verification procedures.
- h. A separate Basic Price for Digital Editions may be established.
- i. All rules related to classification and qualification of paid circulation apply to Digital Editions.
- j. Complete and comprehensive records of delivery of Electronic Editions must be maintained and made available for Verified's review. These include but are not limited to documentation of subscriber payments and proof of electronic delivery.
- k. Explanation of handling of special sections or additions, and inserts in Digital Editions must be provided for inclusion in the audit report.

6. Non-Qualified Circulation

Any circulation for which auditable documentation is not available shall be reported as "Non-Qualified."

- 7. All records in support of qualified circulation must be retained for two years.

E. Rate Cards and Promotional Material

- 1. Client shall supply VERIFIED with one copy of current Rate Card annually.
- 2. VERIFIED must receive copy of a promotional material bearing the VERIFIED Logo or utilizing the VERIFIED name.

F. Prompt Notification of Personnel Changes

- 1. Circulation Managers.

2. Administration Personnel having dealings with VERIFIED.
- G. Prompt Notification of Price Changes and/or Sales Inducements.
- H. Determination of Total Possible Deliveries required for all home delivered, controlled circulation.
1. To be updated annually.
 2. Client to supply U.S. Post Office figures covering all Zip Codes within circulation area.
- I. ZIP Code Information

A circulation analysis by zip code for a representative issue within the period covered by each audit report and publisher's statement must be provided by Client in the format specified by VERIFIED.

IX. UNIQUE OR ATYPICAL AUDITS

VERIFIED will endeavor to develop instruments for the audit of publications not utilizing "general" circulation patterns and procedures. Such audits will verify printing and distribution by the best available means. Where the ultimate recipient cannot be contacted for Verification of Receivership, secondary distribution points will be monitored.

X. DEFINITIONS

Audit

Examination of publisher's records and corroborative data in order to verify the publisher's circulation claims for the period covered by the Report.

Basic Price

The published rates at which the publication may be regularly purchased at any time, by anyone. No special or reduced price, even though established through announcements in the masthead, or by any other means, shall be considered a bona fide basic price. Price changes shall be reported to VERIFIED semi-annually.

Bulk Circulation

Synonymous with "Target Circulation".

Carrier Circulation

Single copies delivered to qualified residences or places of business by an employee of the publisher or a delivery agent (non-USPS).

Controlled Circulation

Synonymous with "Non-Paid" circulation.

Digital Editions

Publications distributed electronically. A Digital Edition may be reported in combination with a print edition if the two are consistent in editorial and advertising content, as well as layout, and delivered on the same schedule. Digital Editions delivered on a different delivery schedule will be reported separately.

Expiration

Termination of the subscription when all issues produced within the subscription period have been provided to the subscriber.

Extension

Continuance by publisher of a subscription beyond the original expiration date.

Free Circulation

Synonymous with “Non-Paid” and “Controlled” circulation.

Mail Circulation

Single copies regularly delivered to qualified residences or places of business by the USPS.

Newsstand Sales

Copies sold at fixed places or within a defined territory, with or without a salesman.

Non-Qualified Circulation

All copies not meeting the definition of “Qualified Circulation”.

Office or “Over-the-Counter” (OTC) Pick-up

Single copies picked-up by qualified readers at one or more office locations of the publishing company.

Paid Circulation

The number of copies for which at least **25%** of the basic price has been paid by the subscriber, payment for which is not in arrears per the schedule below, starting with the date of publication of the first issue delivered under the subscription or subscriptions; or copies delivered which are part of a Newspapers In Education program as described below.

- Subscriptions for one month may not be more than one month in arrears.
- Subscriptions for two months may not be more than two months in arrears.

Paid Circulation (continued)

- Subscriptions for three or more months may not be more than three months in arrears

Copies given to or delivered to employees for their own use may be considered Paid Circulation if this is a clearly stated part of the publisher's employee benefit package. No more than one copy per employee or employee household may be considered Qualified (Paid or Free) Circulation.

Newspapers In Education (N.I.E.) subscriptions will be considered paid if at least **25%** of the home delivery price has been paid by the subscriber or sponsor. If the N.I.E. program is not regular and ongoing but rather single copy distribution, the copies will be considered paid only if at least **25%** of the basic price is received. N.I.E. paid circulation may not exceed **10%** of total paid circulation.

Press Run (Net Press Run)

Total number of copies printed suitable for distribution.

Qualified Circulation

Copies of the publication distributed to actual readers within the stated circulation areas of the newspaper.

Qualified recipients must regularly receive the publication, unless clearly specified to the contrary in the Audit Report, with the exception of "Newsstand Sales" or "Target" Circulation.

Rotated circulation; distribution to a recipient for four weeks or less, will be *not* be considered qualified controlled circulation.

Qualified Subscriber

A person or firm otherwise qualified to be within the field served, who meets the definition of paid circulation, and who receives every issue of the publication for the duration of the subscription.

Rack and Concessions (Rack Sales)

Synonymous with newsstand sales.

Renewal

A subscription that has been renewed within six months of its expiration. An advance renewal is a subscription renewed prior to the expiration date of previous subscriptions.

Returns

Copies not distributed but returned to the publisher by the dealer, or other distributor, for credit or accounting.

Samples

Those copies which are distributed occasionally without any definite pattern, which do not constitute paid circulation. This includes promotional copies. Samples are not considered qualified circulation, unless clearly so specified on the Audit Report. Any distribution of less than five weeks to the same recipient will be considered samples.

Subscriptions

A signed order to receive a publication for a definite length of time, and for which payment is obligatory. Subscription records must be kept on file for 15 months.

Target Circulation

Two or more copies of the publication regularly delivered to a single address, rack, apartment complex, or other location. Also known as "Bulk Circulation".