

## What is a Vendor Subscription Agreement?

# ICON Vendor Subscription Agreement (VSA)

### What is a VSA?

A VSA is a long-term purchase and sale agreement. The agreement obligates ICON to deliver and ICON's Customer (the "Customer") to purchase media advertising under specific terms and conditions at specific pricing levels over a specific time period. The minimum credit ratio is fixed over the term of the agreement.

- ICON commits personnel resources and long-term capital to ensure ICON meets its VSA delivery obligations, possibly including customer-specific incremental inventory investments.
- The customer commits to a multiyear annual purchase of media advertising from a qualified reliable supplier-ICON.

### How does it work?

The Customer earns Guaranteed Minimum Credits in an amount equal to the Purchase Price for all media advertising ordered and paid for by the Customer multiplied by the Minimum Credit Ratio. Annually, the Guaranteed Minimum Credits are subtracted from the Guaranteed Minimum Payment. All excess Guaranteed Minimum Credits are carried forward to the subsequent year. Any deficiency requires a cash payment by the Customer to ICON (Minimum Payment).

An estimate of the media advertising purchase commitment is calculated by dividing the Guaranteed Minimum Payment by the average expected Minimum Credit Ratio.

ICON determines the Minimum Credit Ratio by analyzing the Customer's historical and current media plan and determining the amount of purchasing leverage that ICON can achieve. From this media information, ICON and the Customer prepare Exhibits A & B that outline in detail the media buying specifications (see below).

If a Minimum Payment is made to ICON, the Customer will receive a cash credit if in a future year the Customer orders and pays for media advertising resulting in Guaranteed Minimum Credits in excess of that year's Guaranteed Minimum Payment (see example below).

### Example:

Assume a Minimum Credit Ratio of 15% and a Guaranteed Minimum Payment for each anniversary date of \$1 million for three (3) years. The aggregate Purchase Price for Media Advertising is \$20 million for the three-year period or \$6,666,667 per year.

If only \$5,000,000 was purchased and paid for in the first year, the Customer would be required to make a Minimum Payment to ICON of \$250,000 (\$750,000 of Guaranteed Minimum Credits would be applied to the \$1 million Guaranteed Minimum Payment). The \$750,000 represents the Minimum Credit Ratio (15%) multiplied by the Purchase Price (\$5,000,000). If in the following year the Customer purchased \$8,333,333 of Media Advertising, the Customer would first meet the current year Guaranteed Minimum Payment of \$1 million (Purchase Price of \$6,666,667 multiplied by 15%-the Minimum Credit Ratio). The remaining \$1,666,667 million Purchase Price is satisfied by the \$250,000 Minimum Payment made to ICON on the first anniversary of the VSA and a \$1,416,667 payment.

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### **Media purchasing process:**

The Customer provides ICON with a media purchase plan/order that is in accordance with the terms and conditions outlined in Exhibits A & B of the VSA. ICON turns the plan/order into a media placement schedule. The placement schedule is provided to and approved by the Customer, (and/or advertising agency). Once approved by the Customer, the schedule is ordered. After the media has run, ICON invoices the Customer and provides proof of delivery with each invoice. Once the ratings information becomes available, ICON provides a post-buy analysis.

Any customer orders that are not in accordance with the terms and conditions outlined in Exhibits A & B of the VSA will be analyzed by ICON and a Minimum Credit Ratio (the same, higher or lower) will be communicated to the Customer for approval prior to order.

### **Invoicing:**

Payments for media advertising delivered by ICON in accordance with the order are absolute, unconditional and not subject to offset. Payment is generally due and payable 30 days after invoice date. Payment grace period is 10 days following notice of a past-due amount. This is a substantial Customer cash-flow enhancement from advertising agency payment practices. All invoices are accompanied by affidavits or proof of performance showing the media advertising delivered. The Customer is required to pay ICON only for media advertising actually delivered in accordance with the approved order. The Customer has no payment obligation to the actual provider of the media advertising ordered through an ICON VSA. The Customer has no contractual relationship with the provider of the goods and services, only with ICON.

### **Exhibits A & B-Media Plan**

This represents a critical element of the VSA for both the Customer and ICON as it identifies all the media-specific terms and conditions of the purchase obligation, including type of media, acceptable media providers, programming restrictions, pricing mechanisms, make-good process, cancellation options and the Minimum Credit Ratio. The exhibits set the expectations and criteria for the media obligated to be delivered by ICON and purchased by the Customer.

### **Legal aspects:**

The Minimum Payment is required to be met unless ICON fails to deliver media advertising ordered by the Customer in accordance with exhibits A & B. This absolute purchase/payment obligation should be satisfied simply through the purchase of media advertising and not with a Minimum Payment. However, if media advertising is not ordered and paid for annually in quantity sufficient to satisfy the Guaranteed Minimum Payment then a cash payment (Minimum Payment) is required. Section 7 of the VSA covers the mechanics of the Guaranteed Minimum Payment, and how it relates to the purchase of goods and services. ICON is not able to modify in any material respect the wording of the payment obligations and acknowledgments of the Customer in Section 7, Section 4 (c) and Section 11 of the contract.

In the event that ICON does not deliver the goods and services ordered in accordance with the VSA, the Customer's remedies include but are not limited to relief from the Minimum Payment obligation.

The purchase commitments made by the Customer are unsecured and Guaranteed Minimum Payment obligations are not subject to financial covenants and are not collateralized.