

**From:** "jeffrey E." <jeevacation@gmail.com>  
**To:** Richard Joslin <[REDACTED]>  
**Subject:** Re: Regan Arts- Samples of P&L  
**Date:** Sat, 06 Dec 2014 18:00:32 +0000

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i saw the answers to your silly questions. they now know.

On Sat, Dec 6, 2014 at 12:56 PM, Richard Joslin <[REDACTED]> wrote:

I did not share anything in my belief. The comment below was only for you. I only posed questions for which I did not get answers or only partial answers. I was careful to ensure John was author/ model creator. He took numbers from Production Director. Also the excel model has list of all royalty contractual payment amounts by title. I am repeating partial explanations provided to me and have not seen contracts

On Dec 6, 2014, at 9:32 AM, "jeffrey E." <jeevacation@gmail.com> wrote:

you have now let the other side know how ignorant you are of operations and custom. you have set yourself up for a hit. sorry

On Sat, Dec 6, 2014 at 8:39 AM, Richard Joslin <[REDACTED]> wrote:

These are prepared by Production Director. Pretty certain CFO has no hand in developing. Lower left has composite costs.

Two observations; There is a "trade allocation" or "Regan Arts allocation" that is layered in which is to be overhead costs. It may be better to ignore and look at without overhead. The allocation is calculated at 7 percent of title's list price sales. Best case scenario list price sales is 25MM and total overhead is around 3MM I don't know the logic of how this was put together

Also upper right has advance royalty payment terms per contract. The cost on bottom is calculation based on formula. The contractual amounts may be higher than the formula which is based on laydown net of returns.

One of the sample title sheets is calculated to generate a loss for hardcover.

I have not had chance to review with John (CFO)

Begin forwarded message:

**From:** Diana Ilina <[REDACTED]>  
**Date:** December 5, 2014 at 4:55:52 PM EST  
**To:** Richard Joslin <[REDACTED]>  
**Cc:** John Murphy <[REDACTED]>  
**Subject:** Regan Arts- Samples of P&L

Richard,

Attached are examples of 5 P&L's for the following titles:

Megaweird

How Dante Can save Your Life

The Gluten Lie

Depth

Macklemore

Diana

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**From:** Richard Joslin [<mailto:> ]

**Sent:** 04 December 2014 18:32

**To:** John Murphy; Diana Ilina

**Subject:** RE: Regan Arts

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**From:** John Murphy [<mailto:> ]

**Sent:** Thursday, December 04, 2014 11:23 AM

**To:** Richard Joslin; Diana Ilina

**Subject:** RE: Regan Arts

Hi Richard,

We will give you a call shortly, to go over these responses:

Regards,

John.

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**From:** Richard Joslin [<mailto:> ]  
**Sent:** Wednesday, December 03, 2014 9:26 AM  
**To:** Diana Ilina; John Murphy  
**Subject:** Regan Arts

Please take a look at this – I'd like to have a call this morning to discuss. Thanks

Revenue

How was 47% of list price derived? Is that contractual with distributor? If there is a second printing, is the 47% continue to apply?

**Answer:** 47% is an estimate return based on a conversation with Judith. It will continue to be 47% after second printing. Note the industry average is around 50% discount given across suppliers but some accounts can have a greater discount for example Amazon are currently looking for a 55% discount with Phaidon (we have not agreed this yet) The additional 3% provides us with a cushion in the model until we can see some actuals as we launch our books.

Direct costs

PPB - what is the derivation on a per title basis – cost varies per unit/ median \$1.72/ title.

**Answer:** PPB is negotiated title by title and depends on the spec of the books, the number of books being printed, in our model we took the numbers directly from the individual P&Ls as supplied by the Production team.

PPB - If there is a second printing would the per unit amount remain the same?

**Answer:** In most cases it will remain approximately the same, however we can negotiate prices again based on number of books being printed etc.

Plant expense - what is the derivation on a per title basis. Please provide detail, eg development, photo, artist fees, copy editing

**Answer:** Again this will depend on the spec of the book, number of pages, illustrations etc. and is done a title basis, we can set up a call with Kurt to run through this with you

Plant expense – please confirm that if there is a second printing then there is no incremental plant expense

**Answer:** Correct no incremental plant expense for a second printing.

Royalty – pls send some sample contracts

**Answer:** We will send over a template shortly, awaiting for contracts from Kurt.

Royalty – I see benchmark payment schedule, eg amount at hardcover publish date; amount at softcover publish date. Are these contractual by date?

**Answer:** Advances are contractual by date. Once volume exceeds advances the royalties are paid out based on sales in the particular period. (For example Phaidon pay in Mar/Sept each year) Diana will follow up with Kurt and get back to you on what we propose for Regan Arts.

Royalty – Under what circumstances would these amounts need to be returned?

**Answer:** Once the royalty earnings are above the advance amount we could have a situation where royalties are paid in a particular period based on the sales of that period and then following period some

of these sales are returned and we would then need to deduct these units from royalties due.

Royalty – if there is a scheduled softcover payment and the book is not release in softcover, is the payment cancelled?

**Answer:** No, because its advance. Even if the book is not released yet, we still have to pay out the advance. Payment will not be cancelled. (In most cases books will be printed hard cover and if successful then in soft cover)

Royalty – what is Royalty/ expense memorandum? I assume it is the total amount of advances paid to author?

**Answer:** This was the royalty used in the individual titles P&Ls and we used different selling quantities in our model based on actual projections. (As such we do not use this memorandum amount)

Royalty – Cash flow – Cash Outflow (Best case scenario) includes “Royalties advances (14)” (\$1,441,000) and “Additional (14) Royalty Payments” (\$1,552,071). These two amounts add up to \$2,993,071. I understand this amount to be equal to total royalties payable if all print quantities sold. Please clarify that the “Royalty Advances(14)” were actually paid in 2014 (not 2015).

**Answer:** These were not paid in 14 but they are commitments made in 14 that are due to be paid in 2015. Diana has now gone through this again and has updated the amounts to include not only the current books to be printed in 2015 but books to be printed in 2016 and beyond.

Selling and distribution – 10% is paid to distributor; what is the additional 3%? If there is a second printing, is 13% continue to apply?

**Answer:** The 3 % is an estimate we used to cover additional charges that we incur, e.g. special packaging, return handling, other costs. Once we have some history we will update. We may not use the full 3% but it is there to cover any unknowns. If we do experience a 13% cost in reality this would relate to second print as well as the cost is against each individual sale.

M&P - what is the derivation on a per title basis. Please provide detail

**Answer:** This is taken from the individual title P&Ls. As a guide the individual titles have the following for M&P - Hard cover book is around \$1 per book and for a Paper Back it is around \$0.50-0.75 per book.

Freight - what is the derivation on a per title basis. Please provide detail

**Answer:** The costs again came from the individual P&Ls. As a guide it is around \$0.03 per book.

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Richard Joslin

CFO

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