



1st February, 2008

### **Update for Index Stock Artists**

It has been just over one year since the Photolibary Group purchased the Index Stock business. The integration of the business has been and continues to be a substantial undertaking and is yet to be completed.

It is therefore important that we keep our key suppliers and artists informed as to progress with our integration effort (to which Photolibary is committing significant time and resources) and also keep you up-to-date on the marketing and product initiatives we intend to undertake in 2008 in the North American market and elsewhere.

#### **Marketing Activities:**

In order to avoid any confusion for our clients we will be closing the [www.indexstock.com](http://www.indexstock.com) Web site in March and transferring all those images which were in high-resolution on the old [indexstock.com](http://indexstock.com) site to the new [www.photolibary.com](http://www.photolibary.com) site. This will mean that all of the approximately 180,000 images that were provided to Index on a worldwide basis by artists will now be available for sale through all Photolibary offices in over 10 countries covering not only North America but the United Kingdom and Western Europe, Australia/Pacific, Asia, the Indian subcontinent and the Middle East.

Over time we will require an assignment by artists of their existing contracts with Indexstock to Photolibary Group Inc. This will take some time to complete but if there is any artist that does not wish their images to be distributed by the Photolibary Group then please let us know and we will remove the relevant images from our Web sites. All of the low-resolution images that appear on the [indexstock.com](http://indexstock.com) site will no longer be available for sale.

We have taken this approach following overwhelming demand from customers who considered the Indexstock product inferior to that of Photolibary. Over time this would have only been to the detriment of the revenue-generating capacity of the Index Stock artists.

We recently launched a redesigned and functionality-enhanced version of the [Photolibary.com](http://Photolibary.com) Web site and have begun aggressively marketing the Photolibary range across many mediums in North America, including direct mail, traditional print advertising, search engine and pay-per-click ads, and banner ads on industry-relevant sites. Our message to customers focuses around Photolibary being a fantastic source for unique and compelling professional stock photography both at a rights managed and royalty free level but also via our subscription products [www.indexopen.com](http://www.indexopen.com) (high-resolution) and [www.photostogo.com](http://www.photostogo.com) (low-resolution).

The Photolibary North America sales team will be visible at many industry trade shows this year, including Picturehouse Chicago (April), How Design (May), Picturehouse New York (October), and other regional events. The pending shutdown of the [indexstock.com](http://indexstock.com) site will help us focus our marketing and sales efforts on the [Photolibary.com](http://Photolibary.com) site and eliminate confusion for clients. We will be looking towards expanding our team once that our product offering is clearer.

In addition we will be relaunching the subscription products with a new price point and new 'look and feel' Web sites over the next three months.

#### **Accounts update:**

For efficiency reasons, we pay royalties via direct deposit. If you have not shared your EFT information, please do so by faxing us a copy of a voided check or contact us with your bank name and address, account number and routing number. As advised previously any potential amounts owing below \$250 are

automatically paid once EFT details are recorded. Our fax number is +1 212.633.1914 (send to Attention: Accounts Dept.).

We will also soon be adding a facility for artists to log on to the photolibrary.com site to review and download their archive of past statements to confirm what previous payments have been sent to them. We'll update you when this program goes live and anticipate that this process will be completed by the end of the second quarter of 2008.

Additionally, artists have been asking us to send sales statements even when there is no activity in a given reporting period. Beginning with sales reports for March 2008 we will be introducing a zero reporting system for all artists and suppliers globally.

All post acquisition commissions due to artists and suppliers in respect of our North American businesses are up-to-date irrespective of whether you have a contract via Index Stock Imagery Inc (which is being provided ongoing funding by Photolibrary) or via Photolibrary Group Inc.

For all accounting matters (questions about royalties, sales reports issues, etc....) please email us at [usaccounts@photolibrary.com](mailto:usaccounts@photolibrary.com)

We are continuing to review pre acquisition Index Stock Imagery Inc royalty amounts. As advised previously the records were in disarray at the time of acquisition of the business by Photolibrary Group Inc. It is a detailed process of review account by account and is being conducted in a methodical way. We have been paying pre-acquisition commissions to artists on a monthly basis since takeover one year ago and will continue to do so. Index had some 1,700 artists on its books at the time of acquisition. Some artists had upwards of 24 separate accounts each spread over a 6-year period. Many hundreds of pre-acquisition accounts that were easily reconciled were paid out over the last year. To assist with the balance of this process, we have appointed a team in our New York office to manage the project headed by Dan Russelman whom many of you will know. As we continue with this process, we will review and contact every artist owed royalties from Index Stock. Should you have any questions or concerns with this matter, please email [danr@indexstock.com](mailto:danr@indexstock.com).

The overwhelming majority of artists have now been paid some or all of their pre acquisition entitlements. Our accounting review and payment plan for any pre acquisition balances is based upon the following structure and priority and is subject to Photolibrary Group Inc. requirements rather than that of Index Stock Imagery Inc.:

1. Top earning artists in the past 12 months.
2. Artists that are submitting images to Index who are not in group 1.
3. Top earning artists over the last two years that are not in group 1 or 2.
4. \$250 and below with EFT details with no review of account.
5. The remaining dormant contributor base that does not fit into the above categories.

The above process is expected to take most of 2008 to complete. We see the interventions of third party organizations and their membership drives and misinformation as unhelpful to our artists. We are interested in dealing direct with enthusiastic, committed artists and third party suppliers. Our creative team in New York would be pleased to talk to you about new submissions. Please email: [editing@photolibrary.us.com](mailto:editing@photolibrary.us.com)

With so much discontent within the stock image industry in these uncertain times we are very pleased with the progress of our North American business which is giving artists another sorely needed distribution base and we look forward to sharing our positive rewards with you over the coming years.

Yours sincerely  
Glenn Parker  
Chief Executive Officer  
Photolibrary Group