To: OverDrive Library Partners

From: Steve Potash, OverDrive CEO

Re: 2011 OverDrive Initiatives and Key Priorities:
        *Improved User Experience, New eBook Lending Terms, Direct Access and Integration
        with your ILS, OPAC and Discovery Services*

Date: February 24, 2011

Dear Library Partner,

2010 was a year of significant accomplishments in enhancing your OverDrive platform for
download eBooks, audiobooks, music, and video. Team OverDrive delivered on its promise of
new mobile apps that extend the value of your digital book catalogs. Six hundred thousand users
have already downloaded or upgraded to the free iPhone®, Android™, and iPad® apps that have
integrated the "Get Books" functionality directly from your library's digital book catalog. Last
year, we also expanded the selection of digital titles by adding more than 180,000 new titles to
the OverDrive catalog.

While we are proud of these and other achievements, we are focused on the opportunities and
challenges brought on by the accelerated growth of eBooks and related services for 2011. The
purpose of this letter is to share with you a summary of key priorities and developments for this
year to improve access and use of your digital materials, and to address evolving publisher
licensing terms to libraries.

Improved User Experience for your Customers

Over the next few months OverDrive will release a series of web service and OverDrive Media
Console updates and enhancements. These updates are part of a year-long effort to transform the
customer experience for discovery and use of titles from your digital media catalog with the goal
of a much faster and easier process. We will refine, and where we can, eliminate every extra
keystroke to discover, access, and use the digital media. Our mantra is "See Book – Read Book."

Mobile Apps. The most recent releases of our iPhone, iPad and Android apps are optimized to
automatically present only those eBook and audiobook formats that are compatible with the
customer's mobile device.   We will add options for readers to quickly display only titles that are
immediately available for checkout. In the next few weeks we are preparing to release OverDrive
Media Console apps with eBook support for both Blackberry and Windows Phone 7 operating
systems.

My Help. This week we set live a new help wizard called "My Help" (beta) that leads users
through the browse, checkout, and download process for each format and can be customized by
the user to address the process for his or her device and computer. You can try My Help, at New

York Public Library's "virtual branch" website: http://ebooks.nypl.org. My Help is the first in a series of improvements underway for OverDrive's help system.

Improved Search. We are preparing to replace all OverDrive search services for both Content Reserve and your digital media collection with a much more robust search engine that will provide instant and more accurate results. This will greatly reduce time for selectors using our collection development tools and all users of your website, resulting in a performance improvement for all.

More Content. Our publisher relations team is committed to providing access to all the best and most important digital titles and materials. This includes a ramp up of children's, full color eBooks and graphic titles, education titles, and foreign language materials. In addition, many of your systems are already using the tens of thousands of free Project Gutenberg titles (US and UK) now available from library partners' collections. This past week we launched Disney Digital Books (US and Canada), a catalog of nearly 700 interactive eBooks, which are "always available" for your customers. Disney Digital Books represents the first in a series of interactive, multimedia digital collections we are integrating to be available for your customers to access directly from your catalog anytime, anywhere with an Internet connection and their library card.

New eBook and digital content licensing terms for library lending

The past several months have brought about dramatic changes for the print and eBook publishing and retail industries. Digital book sales are now a significant percentage of all publisher and author revenue. As a result several trade publishers are re-evaluating eBook licensing terms for library lending services. Publishers are expressing concern and debating their digital future where a single eBook license to a library may never expire, never wear out, and never need replacement.

OverDrive is advocating on behalf of your readers to have access to the widest catalog of the best copyrighted, premium materials, and lending options. To provide you with the best options, we have been required to accept and accommodate new terms for eBook lending as *established by certain publishers*. Next week, OverDrive will communicate a licensing change from a publisher that, while still operating under the one-copy/one-user model, will include a checkout limit for each eBook licensed. Under this publisher's requirement, for every new eBook licensed, the library (and the OverDrive platform) will make the eBook available to one customer at a time until the total number of permitted checkouts is reached. This eBook lending condition will be required of **all** eBook vendors or distributors offering this publisher's titles for library lending (not just OverDrive).

In advance of any licensing changes going into effect, we will communicate the details (effective date, how to order, etc.), through "Critical Alerts" in Content Reserve. *Any eBook license term changes will not be retroactive or affect titles already licensed and in your OverDrive catalogs, prior to the effective date.* In an effort to reduce library and patron confusion during this transition period, we will also develop clear and well-marked indications on any eBook or other titles in Content Reserve that are subject to new or modified publisher terms. At present, these lending model changes do not affect audiobooks, and are not wide-reaching, and instead limited to a one publisher's content.

In addition, our publishing partners have expressed concerns regarding the card issuance policies and qualification of patrons who have access to OverDrive supplied digital content. Addressing these concerns will require OverDrive and our library partners to cooperate to honor geographic

and territorial rights for digital book lending, as well as to review and audit policies regarding an eBook borrower's relationship to the library (i.e. customer lives, works, attends school in service area, etc.). I can assure you OverDrive is not interested in managing or having any say in your library policies and issues. Select publisher terms and conditions require us to work toward their comfort that the library eBook lending is in compliance with publisher requirements on these topics.

Another area of publisher concern that OverDrive is responding to is the size and makeup of large consortia and shared collections. Publishers seek to ensure that sufficient copies of their content are being licensed to service demand of the library's service area, while at the same time balance the interests of publisher's retail partners who are focused on unit sales. Publishers are reviewing benchmarks figures from library sales of print books and CDs for audiobooks and do not want these unit sales and revenue to be dramatically reduced by the license of digital books to libraries.

My team is working with publishers and librarians to streamline, consolidate, and manage these issues. We seek to make ordering digital book materials a good value proposition for our library partners. As a partner to libraries and also as a distributor working with publishers, we are in the position where we must balance sometimes competing needs and interests. I ask you to bear with us as we work together to adjust to this changing landscape and evolving terms and conditions.

Direct access/integration of OverDrive digital titles with your ILS, OPAC and Web services

One of our key development initiatives for this year is to create new ways for your customers to discover and access your OverDrive digital media titles directly from within your ILS or OPAC. We are in dialog with leading ILS vendors, open source software suppliers, and libraries to identify the points of integration to make this happen. Three initial areas for our integration work include:

1. Ability to checkout digital titles directly from your OPAC or discovery services. From your catalog, we are preparing for readers to directly checkout, download and read/listen/watch the digital title. These services will also display available copies, place a hold, or add to my wish list.

2. Integration of library card login for both physical items and digital materials. Once a customer enters their library card, we will support a "single sign-on" to provide patron's access to all of their account activity (P and E) with your library.

3. Checkout, customer demand, and digital material use data integrated into your ILS and management reports. While Content Reserve and our Library Dashboard provide you instant information on how customers are using your Virtual Branch and materials, we are working to have this data integrated into your existing management reports and tools for your physical holdings.

Operationally we are investing in significant additional network services and capacities to meet the demands of continued growth and use of your service. This will include a new Service Issue Alert and Notification process for communication of news that may affect OverDrive services and system upgrades and maintenance windows.

I know you are working hard to meet the new customer expectations for your digital book services. This letter states a few of the key items that are our priorities, with dozens of

innovations, service improvements, and new app and content releases that will be in the market this year. One way to ensure that we are in sync is for you to join me and Team OverDrive this summer by participating in our 3rd international user group conference – Digipalooza – in Cleveland, Ohio from July 28-31, 2011. More information about Digipalooza 2011 is available at www.digipalooza.com.

For any questions you may have regarding this communication, please refer to the contact information at the bottom of this letter. We are privileged to be your partner and look forward to our continued mutual success.

Best regards,

Steve
spotash@overdrive.com

For these questions…	… please contact:
New usability and improved experience, and integration of your OverDrive "virtual branch" with your ILS, OPAC, or Discovery Service:	Your OverDrive Project Manager
Content/eBook Licensing Terms	collectionteam@overdrive.com
For other information	partnerservices@overdrive.com