OCLC ONLINE COMPUTER LIBRARY CENTER, INC.
Meeting of the Board of Trustees
April 15, 2003

This meeting of the Board of Trustees of OCLC Online Computer Library Center, Inc., pursuant to the notice of the Secretary dated April 5, 2003, and in accordance with Article VII, Section I, of the Code of Regulations of OCLC Online Computer Library Center, Inc., convened at 8:30 a.m., on April 15, 2003 at 6600 Frantz Road, Dublin, Ohio. Mr. Crowe presided and Mr. Houfek kept the minutes of the meeting.

Trustees present:

Larry Alford
Bradley F. Baker
Edward W. Barry
William J. Crowe
Maurice Glicksman
Martín Gómez
Barbara Gubbin
Victoria Hanawalt
Jay Jordan
Jane N. Ryland
Thomas W. Shaughnessy
Jerry Stephens
Lizabeth A. Wilson

Trustees Absent:

Ralph K. Frasier
David P. Lauer

Also, present for all or portions of the meeting:
Cathy De Rosa, Vice President, Corporate Marketing
Lorcan Dempsey, Vice President, Research
Frank J. Hermes, Vice President, Cooperative Discovery Services
James T. Houfek, Vice President, General Counsel and Secretary
Gary R. Houk, Vice President, Metadata and Content Management Services
Fred Lauber, Vice President, Information Technology
George Needham, Vice President, Member Services
Rich Rosy, Corporate Vice President, netLibrary Division
Rick J. Schwieterman, Vice President, Finance & Human Resources and Treasurer
Phyllis B. Spies, Vice President, Worldwide Library Services
Rein van Chaldorp, Managing Director, OCLC Pica B.V.
Richard Van Orden, Program Director, Members Council

To begin the meeting, Mr. Crowe indicated that Cees Datema would be unable to attend this meeting and had sent his regrets. Mr. Crowe also wished to have it noted in the minutes that because of recent surgery, Mr. Frasier would not be able to participate in today's

meeting. The Chair also noted that, although he was present for appropriate Committee meetings yesterday, Mr. Lauer had been called out of town due to a death in the family and would not participate in today's meeting. The Chair then noted that Seymour Lubetsky, a significant contributor to the theoretical basis for the cataloging protocols used in many nations' libraries today had just passed away, at age 104, and that the Board wished to express its regrets at this loss. The Chair then welcomed Anna Ryan as the new coordinator for the Board to her first full meeting, and asked that the Trustees do the same at their own convenience.

Following discussion as to certain non-substantive corrections which had been made by the Secretary, at the request of Mr. Crowe for a motion, and upon motion duly made and seconded, the Board of Trustees unanimously approved the minutes of their February 24, 2003 meeting, as corrected. It should be noted that the copies of the minutes which each of the Trustees had been given at Tab 1 of the Board materials contained the corrected version of those minutes.

Mr. Crowe referred the Board to his Chair's report that had previously been sent to them, and which could be found at Tab 2 of the Board materials. Mr. Crowe also then brought the following matters to the attention of the Board: (i) the Trustees were encouraged to attend the upcoming Members Council if at all possible, as their previous attendance had been noted and appreciated by the Council, and (ii) the June Board meeting would be held in Denver/Boulder, and all Trustees should be sure and notify Ms. Ryan of their travel plans as soon as possible.

Mr. Crowe then reported on the meeting of the Executive Committee of the Board, indicating that the Committee had: (i) conducted an extensive dialog with Mr. Jordan regarding details of certain matters currently being considered by OCLC, (ii) discussed OCLC's present opportunities and challenges, and (iii) reviewed the schedules of the Board and its various committees in the future, with an effort to shape the agenda for the Board to best effect and to make best use of the time of OCLC management and staff. The Chair then stated that the Executive Committee had also met telephonically on March 17, 2003, and had approved the following resolution, which was now being presented to the full Board for its information and ratification:

> RESOLVED, That the action of the Executive Committee of Board of Trustees taken on March 17, 2003, as discussed with and by the full Board at this April 15, 2003 Board meeting, are hereby ratified and affirmed.
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> (The Executive Committee action was as follows:
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> > RESOLVED, that the Corporation be, and it hereby is, authorized to (i) introduce and execute an unbudgeted, one-time early retirement program, which will offer certain employees specific benefits should they voluntarily choose to retire from employment with the Corporation within the specified offer period; and (ii) expend unbudgeted severance costs related to the proposed reduction of corporate staff. The terms of such programs will be in keeping with the presentation to the Executive Committee during a telephonic meeting on March 17th, 2003, with the understanding that the total cost of the programs shall not exceed $3 Million Dollars, and that said cost will not be considered in calculating the awards under the Management Incentive Plan computation at the conclusion of the fiscal year.
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> > FURTHER RESOLVED, that the officers of this Corporation be and they are each hereby authorized to execute and deliver in the name and on behalf of this Corporation such additional agreements, instruments and other documents, and to do such other acts and things as they or any of them shall deem necessary or appropriate to carry out the purposes of the foregoing Resolution.)

There was discussion as to the wisdom of excluding the cost of the Early Retirement Option program from the Management Incentive Plan and that the Executive Committee should consider in the future inviting contributions from other committees of the Board when its discussions and possible actions deal with matters of such consequence. Following that discussion, no second being necessary, a vote was taken, and the resolution was unanimously approved.

The Chair then called for the President's report. Mr. Jordan first mentioned that the Board should look to his written report for details, but that he wanted to call their attention to the following specific items: (i) OCLC has been aware of and very concerned about the SARS virus, and Ms. Spies had worked with the Human Resources Department to arrange for several employees who had been in Asia recently to work from home upon their return to the US, (ii)

OCLC would continue to monitor the outbreaks of the SARS virus and would make an appropriate decision as to participation in the ALA meeting scheduled to be held in Toronto later this year, (iii) Mr. Jordan's letter to the staff regarding the need for a reduction in force was fairly well received, and he intended to issue a follow-up memorandum shortly, (iv) the Oracle conversion was well underway, with testing having begun on the new system, (v) the assets of OCLC EMEA had successfully been transferred to OCLC-PICA effective April 1, 2003, (vi) the productivity of the Strata organization in Holland was being reviewed for improvements, (vii) the Gates Project would witness the first release of the Portal on May 12, 2003 with appropriate events in Washington, D.C., (viii) Roy Tennant had recently spoke to OCLC staff in Dublin and spent time in dialogue with members of the staff of the Office of Research, and (ix) Mr. Jordan reviewed recent and future speaking opportunities that he had been or would be involved in. Discussions then followed resulting from questions of the Trustees, including: (i) a request that more attention be given by staff when presenting information about various initiatives to indicating how they relate to the overall Extended WorldCat project goals, and (ii) appropriate topics for future Members Council meetings. There being no further questions, that concluded Mr. Jordan's comments regarding the President's report.

Mr. Glicksman then reported on behalf of the Joint Committee on Membership. At its meeting the Committee had: (i) issued its report and recommendations, which could be found at Tab #5 of the Board materials, (ii) noted that credit for the report should be given to the entire Committee which consists of Mr. Baker, Ms. Gubbin, Mr. Glicksman, Mr. Stephens, Mr. Robert Seal, Ms. Mary Alice Lynch and Ms. Dianne Man, supported very ably by Mr. Needham and other OCLC staff, (iii) again discussed next year's availability of detailed information as to the new membership algorithm, (iv) proposed a new timetable for changes to the definition of members and of contributions, although there were no requests received by the Committee for changes to date, (v) recommended that the next set of Transition Delegates be selected by naming two from each of the three OCLC service centers outside the United States, as determined by members in those centers and (vi) prepared and sent a response to a Network Director regarding the original

intent of the Committee concerning who was qualified to be elected as a delegate to the Members Council. Following some general discussion, the Chair called for a break at 9:35 a.m.

Following the break, the Chair reconvened the meeting at 10:00 a.m., and requested the report of the Finance Committee, noting that it would be delivered by Ms. Gubbin in the absence of the Committee Chair, Mr. Lauer.

Ms. Gubbin, following a personal expression of gratitude to Ms. Sondra Kowaluk for her assistance in providing notes, then reported on behalf of the Finance Committee that the Committee had: (i) reviewed the details of the recently completed bond financing in the amount of $25 million dollars, including the retirement of older debt from a 1993 bond issuance and the existence of a corporate rating for this issuance of "A" from S & P, (ii) received a briefing by Mr. Schwieterman on the details of the debt service ratio calculations for the various bond offerings, and certain merger possibilities being explored by OCLC-PICA, and (iii) reviewed and proposed the following resolution, which the Committee now brings to the full Board for approval:

> RESOLVED, That the officers of the Corporation are hereby authorized to enter into an installment payment agreement with IBM Credit Corporation for the purchase of one IBM eServer p690 and ESS storage, related peripherals, software and services, in support of the first phase XWC Infrastructure, in the amount of $3,375,133 over a payment term of twelve (12) months on such additional terms and conditions as are satisfactory to the President of the Corporation.

There being no further discussion, and no second being necessary, a vote was taken on the above resolution, and said resolution was unanimously approved by the Board. This concluded the report of the Finance Committee.

Ms. Hanawalt then reported on behalf of the Personnel and Compensation Committee that the members had met and had: (i) received an update on the Inclusion Plan from Mr. Mel Kendall and Mr. Mark Matson of the Human Resources Department, (ii) lent their support to the idea that both the Chair of the Board and the President of Members Council should visit with the Inclusion Council at least once a year, (iii) suggested that the Inclusion Council membership be retained for another year, and that they attempt to achieve a Council turnover rate at a level less than 50% for each year thereafter, (iv) updated themselves on the status of the Early Retirement

Option offer that had recently been extended by OCLC to certain staff, (v) on a preliminary basis, reviewed the corporate objectives of the Vice Presidents for the Management Incentive Plan for FY 2003-2004, and (vi) reviewed some matters that will be discussed in more detail during the Board's executive session later this morning. Ms. Hanawalt then indicated that she had no action item from the Committee, and that this concluded her report.

The Chair then indicated that in Mr. Frasier's absence, Ms. Wilson had graciously agreed to chair the Audit Committee. Ms. Wilson then reported that the Audit Committee had met and had reviewed the FY 2002-2003 audit engagement letter with representatives of Delloitte & Touche, and had requested that some changes be made to the letter, including to whom the audit report would be delivered, that is, to the Audit Committee. Following that discussion, the Committee had unanimously approved the following resolution for acceptance by the full Board:

> RESOLVED, That Deloitte & Touche be engaged to perform the annual audit of the Corporation for the year ending June 30, 2003.

There being no further discussion, and no second being necessary, a vote was taken on the above resolution, and said resolution was unanimously approved by the Board.

Ms. Wilson then indicated that the Committee had also: (i) reviewed with representatives of Delloitte & Touche certain new accounting and review standards regarding fraud, indemnification and other matters, (ii) received a high level overview of the financial status of the OCLC Networks from Ms. Kowaluk, and (iii) decided that discussion regarding the RFP process for future audit contracts would be moved to the June Committee meeting. Mr. Crowe then added that the issue of further investigation as to the possibility of some sort of alignment or merging of the Finance Committee and the Audit Committee had been temporarily delayed by Mr. Frasier's illness. Following some discussion regarding the issue of Network financial health and OCLC's responsibilities in the event of a Network failure, the Board agreed that further discussion was appropriate and that it would be scheduled for a future meeting.

Mr. Crowe then called on Mr. Baker for his report from the Nominating and Board Development Committee. Mr. Baker related that the Committee had met and had: (i) discussed and made further revisions to the guidelines for the selection of Trustees to fill upcoming

vacancies on the Board, and had approved those revisions and an appropriate timeline for same, (ii) continued to review and build a pool of potential candidates for future Board vacancies, with a request that staff and the Trustees submit their suggestions to the Committee for other individuals who could be added to this list, (iii) discussed issues of international representation and gender balance relative to future Trustee recommendations, (iv) selected Ms. Ryland as the Board liaison with OCLC for future development of the Board website, and (vi) selected Mr. Crowe as the Committee's recommendation for the Board representative to the Ad Hoc group on Communications within the Collaborative being formed by the Members Council. Mr. Glicksman then indicated that he would prefer that the recommendation of Mr. Crowe be made via formal resolution by the full Board, at which time it was moved and seconded that this Committee recommendation be approved. Upon the vote being taken, the recommendation was unanimously approved, with an abstention by Mr. Crowe. Mr. Baker then indicate that the Committee had recommended two resolutions for approval by the full Board, the first of which read as follows:

> RESOLVED, That Jay Jordan be appointed a member of the Board of Trustees Nominating and Board Development Committee effective November 18, 2002.

There being no further discussion, and no second being necessary, a vote was taken on the above resolution, and said resolution was unanimously approved by the Board, with an abstention by Mr. Jordan.

Mr. Baker then offered the second of the Committee's recommended resolutions for Board approval as follows:

> RESOLVED, that upon the review and recommendation of the Nominating and Board Development Committee, the following three Trustees are hereby approved and appointed as the new representatives to the Joint Committee on Membership from the OCLC Board for fiscal year 2003/2004:
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> Brad Baker
> Maurice Glicksman
> Jerry Stephens

There being no further discussion, and no second being necessary, a vote was taken on the above resolution, and said resolution was unanimously approved by the Board, with an abstention by Mr. Glicksman.

The Chair then called for other business, and there being none, he called the Board into Executive Session at 10:55 a.m., and subsequently reconvened the meeting in regular session at 12:03 p.m.

There being no further business to come before the meeting, on motion duly made and seconded, it was adjourned at approximately 12:04 p.m.

/s/	/s/
William J. Crowe, Chair	James T. Houfek, Secretary