

OCLC ONLINE COMPUTER LIBRARY CENTER, INC.
Meeting of the Board of Trustees
June 9, 2003

This meeting of the Board of Trustees of OCLC Online Computer Library Center, Inc., pursuant to the notice of the Secretary dated May 30, 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 June 9, 2003 at The Oxford Hotel, 1600 17th Street, Denver, Colorado. 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
Ralph K. Frasier (telephonically)
Maurice Glicksman
Martín Gómez
Barbara Gubbin
Victoria Hanawalt
Jay Jordan
David P. Lauer
Jane N. Ryland
Thomas W. Shaughnessy
Jerry Stephens
Lizabeth A. Wilson

Trustees Absent:

None

Also, present for all or portions of the meeting:

James T. Houfek, Vice President, General Counsel and Secretary
Rich Rosy, Corporate Vice President, netLibrary Division
Rick J. Schwieterman, Vice President, Finance & Human Resources and Treasurer

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 Mr. Frasier was participating in today's meeting via speakerphone (whereby he could hear all of the Trustees and they could all hear him simultaneously). The Chair also noted that he very much appreciated both Mr. Glicksman's presence at the meeting, and Mr. Frasier's participation by telephone, considering that they were both recovering from recent surgery. The

Chair then extended congratulations to two Board members for honors recently bestowed upon them. Mr. Stephens had been selected as this year's recipient of the Eminent Librarian award, as presented by the Alabama Library Association. In addition, the Jewish Seniors Agency had recently established a Leadership Award in Mr. Glicksman's honor, and he has been named President and Chairman of the Board of a new assisted living facility called Tamarisk. The Chair then expressed the Board's appreciation for the hospitality extended by the netLibrary staff during the Board's visit to their facilities on June 7, 2003.

The Chair then asked for a motion to approve the minutes of the last meeting, and upon motion duly made and seconded, the Board of Trustees unanimously approved the minutes of their April 15, 2003 meeting.

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 brought the following matters to the attention of the Board: (i) any member of the Board should feel free to contact the Chair at any time between meetings regarding corporate matters that they feel the need to discuss, (ii) Board members should plan on arriving if at all possible on Friday, September 19th for the annual fall Board retreat, so as to be available for the sessions on Saturday morning, (iii) meeting dates for 2005 will be discussed at the September meeting, (iv) both Bob Seal and Charles Kratz of the Members Council will be invited to be full participants in the retreat and as guests at the September Board meeting, with Mr. Seal to be invited to address the Board, (v) Trustees should begin to consider sites for the June meetings in future years and make suggestions to the President and CEO, and (vi) Trustees should consider visiting both regional and European offices when convenient and appropriate.

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 the current status of the Company, and (ii) reviewed and recommended the resolution found at Tab 3 of the Board materials. Following discussion regarding the scarcity of international and public library representation within Members Council, and no second being necessary, the following resolution was unanimously voted on and approved by the full Board:

WHEREAS, on May 20, 2003, the Members Council reviewed the Standing Joint Committee on Membership's report, a copy of which has been previously provided to the Trustees; and

WHEREAS, the report contains recommendations to the Members Council and the Board of Trustees regarding amendments to the Membership and Contribution Protocols related to the second group of Council Transition Delegates from underrepresented areas; and

WHEREAS, the Members Council passed four resolutions regarding those recommendations, copies of which have been furnished to the Trustees; and

WHEREAS, pursuant to said Protocols, the Board must also approve said resolutions for them to become effective,

BE IT THEREFORE RESOLVED that the Membership and Contribution Protocols be amended as shown in the attached "Exhibit A" in order to authorize OCLC Asia Pacific, OCLC Pica, and OCLC Latin America to send two transitional delegates each to Members Council for a three-year term from July 2004 to June 2007; and

BE IT FURTHER RESOLVED that these service centers be requested to establish procedures for having alternate delegates identified for cases where a transitional delegate is unable to attend a Council meeting or cannot fulfill his or her responsibilities; and

BE IT FURTHER RESOLVED that the Members Council Elections Certification Committee be charged with assisting these service centers to ensure that fair selection procedures are established; and

BE IT FINALLY RESOLVED that the Membership and Contribution Protocols, in the interests of being internationally relevant, be further amended to replace references to northern hemisphere seasons with references to specific months or groups of months.

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 had just completed a reduction in force, resulting in the release of 33 individuals, with an additional 17 having accepted an early retirement package, (ii) the recent terminations had been a difficult time for everyone, and Mr. Jordan especially thanked the Human Resources and Legal Departments for their efforts, (iii) the recent departure of several key staff members represent substantive losses, but at the same time opportunities exist to find skilled individuals to fill those now vacant positions, (iv) OCLC is planning on participating in the American Library Association's Annual Conference in Toronto, although the displays and personnel will be less robust, provided that neither the CDC nor the WHO issue new travel

restrictions (all staff attendance is already on a purely voluntary basis), (v) the American Society for Training & Development recently presented the Company with an achievement award for its recent Continuing Leadership courses given to management in conjunction with the Fisher Business College of The Ohio State University, (vi) several business opportunities had been reviewed with the Finance Committee, (vii) efforts were underway to honor Mr. Fred Kilgour on his 90th birthday, and (viii) Mr. Jordan had made a recent visit to Reed College and NyLink, and encouraged the Trustees to call on senior staff to speak at local institutions regarding new corporate initiatives. Discussions then followed resulting from questions of the Trustees. That concluded the President's report.

Mr. Baker (with additional comments from Ms. Gubbin, Mr. Crowe, Mr. Glicksman and Mr. Stephens) then reported on behalf of the Standing Joint Committee on Membership as follows: (i) the resolution just passed by the Board carries out the recommendations of the Committee for the first year, (ii) the Committee plans to review the materials that constitute "contribution" under the Protocols, (iii) a new Chair will be selected at the next Committee meeting, and (iv) during the coming year, calculations for representation on Members Council will be made pursuant to the revised delegate algorithm. Following some general discussion, the Chair called for a break at 9:30 a.m.

The Chair reconvened the meeting at 9:50 a.m., and requested the report of the Finance Committee. It should be noted for the record that Mr. Gómez excused himself with the consent of the Chair to attend to pressing business and returned to the meeting at 10:15 a.m.

Mr. Lauer then reported on behalf of the Finance Committee that the Committee had met and had reviewed in detail the resolutions found at Tab 5 of the Board materials. The first resolution was to approve the Corporate Operating Plan for FY 2004. During general discussion it was noted that the revenue projections were aggressive and represented a significant challenge to staff, and that perhaps for a non-profit organization such aggressiveness might not always be appropriate. Additionally, there was concern expressed by several Board members regarding the financial health of the Networks, and one member asked that background information and the

budget detail be provided earlier. Following discussion, and no second being necessary, the following resolution was voted upon and unanimously approved by all Board members present:

RESOLVED, That the fiscal year 2003/2004 budget of the Corporate Operating Plan, as presented to this meeting, be and the same hereby is approved.

Mr. Lauer then indicated that the Committee had also reviewed and recommended the following resolution to the Board for approval:

RESOLVED, that the Corporation is hereby authorized to proceed with the acquisition of certain assets and the assumption of certain liabilities of CAPCON (the "Transaction") for a total net investment (whether in the form of assets paid or liabilities assumed) not to exceed \$1,250,000.00, subject to such terms and conditions as it may deem appropriate.

Therefore, Robert L. Jordan, President and Chief Executive Officer, or Rick J. Schwieterman, Vice President, Finance and Human Resources, or James T. Houfek, Vice President and General Counsel of the Corporation be and they hereby are each individually authorized to take whatever action they deem necessary and appropriate in order to complete the Transaction.

FURTHER RESOLVED, That the officers of this Corporation be and they hereby are each individually authorized to execute and deliver in the name and on behalf of this Corporation such additional documents, and to do such other acts and things as they or any of them individually shall deem necessary or appropriate to carry out the purposes of the foregoing Resolution.

Discussion followed, with Mr. Lauer indicating that the Committee would recommend to the Personnel and Compensation Committee for their consideration that, as with some past acquisitions, the financial effects of the CAPCON operation for the first year be excluded from consideration in computing awards under the Management Incentive Plan. There being no further discussion, and no second being necessary, a vote was then taken on the above resolution, and it was unanimously approved. 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 reviewed: (i) the details of the recent reduction in force and early retirement plan, including certain communications issues surrounding same, and

(ii) six resolutions that will be discussed in more detail during the Board's executive session later this morning. That concluded Ms. Hanawalt's report.

The Chair then indicated that in Mr. Frasier's absence, Ms. Wilson had graciously agreed to chair the Audit Committee, with Mr. Frasier participating via speakerphone. Ms. Wilson (with participation and comments from Mr. Frasier) then reported that the Audit Committee had met and had: (i) reviewed a proposed "Request For Information" form to be submitted to several audit firms for bidding on the FY 2004 corporate audit (note was made that the services of the current OCLC audit firm have been satisfactory, but that best practices now require the Company to solicit competitive bids on this service for future years), (ii) discussed dates for achievement of the bid process, and (iii) considered the internal audit and financial health of the Networks as future Committee issues.

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) 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, (ii) asked OCLC staff to assist in the completion of the biographies for the potential candidates, (iii) discussed issues of international representation and gender balance relative to future Trustee recommendations, (iv) further discussed the Board assessment function and decided to eliminate the Board meeting assessment pilot project, (v) discussed the concept of Board Committees setting specific goals and then annually evaluating their performance against same, (vi) continued discussions regarding methods of Board self-assessment, and (vii) selected Ms. Ryland as the Committee representative to re-establish the Board's website. Ms. Ryland then indicated that (i) the decision had been made to make the site operational, even if it was not perfect at first, with improvements to be made as appropriate, (ii) the website would not be used for the distribution of Board materials for upcoming meetings, but rather as a means to make travel and lodging arrangements for upcoming meetings and to serve as a repository for past Board and Committee minutes and non-confidential materials, with links to OCLC, Members

Council and other helpful websites, and (iii) it was hoped that the website would be operational prior to the September Board meeting.

The Chair then called for other business. Ms. Wilson indicated that a Committee had been formed to plan the September Board retreat in Dublin on Saturday, September 20, 2003. Ms. Wilson indicated that the Committee consists of Ms. Wilson, Mr. Baker, Mr. Jordan, Mr. Crowe and Ms. Ryland, and that at this point the Committee had: (i) determined that the participants would consist of the Strategic Leadership Team, the Board, and both the President and Vice President/President Elect of the Members Council, and (ii) determined that there would be an updating of the corporate environmental scan including a review of the trends and technology issues facing OCLC, along with a condensed version of the inclusion presentation and training recently completed by the Strategic Leadership Team. Following some general discussion, the Chair called for a break at 11:10 a.m.

The meeting was reconvened at 11:15 a.m., at which time the Board was called into Executive Session, subsequently reconvening the meeting in regular session at 12:09 p.m. During the executive session of the Board, the Chair indicated that the following six resolutions had been voted upon and unanimously approved by the full Board:

Robert L. Jordan Amendment

RESOLVED, that after review and discussion to amend Section 5 (a) and Section 5 (h) of the Employment Agreement between OCLC and Robert L. Jordan as set forth in the Second Amendment, the recommendation of the Personnel and Compensation Committee of the Board of Trustees, be and the same are hereby approved. Either the Chair or the Vice-Chair is hereby authorized and directed to make whatever modifications they may deem appropriate in order to finalize said amendment with Mr. Jordan, and to execute said amendment on behalf of the corporation.

OCLC Medical, Prescription and Dental Insurance Plan Amendment

WHEREAS, OCLC Online Computer Library Center, Inc. (the "Plan Sponsor") sponsors the OCLC Medical, Prescription and Dental Insurance Plan (the "Plan"); and

WHEREAS, the Plan Sponsor wants to amend the Plan to permit the Board of Trustees of OCLC Online Computer Library Center, Inc. to name certain former employees or non-employees as Retirees as defined in the Plan;

NOW THEREFORE, IT IS RESOLVED that the Plan is amended as follows:

1. Effective April 22, 2002, Section 1.66 is amended as follows:

1.66 RETIREE

A former COVERED EMPLOYEE of OCLC who satisfies the requirements for participation in the PLAN described in Section 4.1(3) and certain non-employees or former employees designated in writing as eligible to participate in the PLAN as a RETIREE by the Board of Trustees of OCLC from time to time.

FURTHER RESOLVED, that the Plan Administrator of the OCLC Medical, Prescription and Dental Plan (the "Plan") is hereby authorized to take all actions and to do all things necessary or appropriate to cause the Company to amend the Plan in accordance with the preceding resolution.

VP FY2003/2004 Target Awards & Objectives

RESOLVED, that the recommendation of the Personnel and Compensation Committee regarding the FY2003/2004 Management Incentive Plan target awards and objectives for the vice presidents of the Corporation be and the same is hereby approved.

CEO Goals and Target

RESOLVED, that the recommendation of the Personnel and Compensation Committee regarding the FY2003/2004 Management Incentive Plan goals and target awards for Jay Jordan, the President and Chief Executive Officer of the Corporation, be and the same is hereby approved.

CEO Performance

RESOLVED, that following a review of the individual performance of the President & CEO for FY 2002/2003, as well as the overall financial condition of the Company, the Board in executive session hereby approves the recommendation of the Personnel and Compensation Committee for the annual base salary for Robert L. Jordan to be effective July 1, 2003.

The following resolution had been voted upon during the executive session and was approved by all Trustees present, except for Mr. Glicksman, who cast a negative vote

CEO Performance Goals

RESOLVED, that following a review and discussion with the President and CEO by both the Personnel & Compensation Committee and the Board in executive session, a mutually agreeable set of Performance

Goals has been established for the President & CEO for the Fiscal Year 2003/2004, and the same is hereby approved.

There being no further business to come before the meeting, on motion duly made and seconded, it was adjourned at approximately 12:10 p.m.

/s/
William J. Crowe, Chair

/s/
James T. Houfek, Secretary

EXHIBIT A MEMBERSHIP AND CONTRIBUTIONS PROTOCOLS

MEMBERSHIP

An institution may become a member of OCLC in one of two ways:

- Governing Members are those institutions that fully embrace the OCLC values of commitment to collaboration through contribution of intellectual content and in resource sharing. This commitment is manifested by these institutions' contractual agreement to contribute metadata, including their current cataloging and holdings as described in "OCLC WorldCat Principles of Cooperation," to an OCLC-affiliated database, in order to make such information available to and for the benefit of all members of the cooperative.

Contribution to WorldCat is the basis of "Governing Member" status in OCLC. Once the linking of the WorldCat and Pica databases is complete, allowing all members to see and use all content in both databases, contribution to Pica's database would fulfill this membership requirement.

- Members also embrace the OCLC values of commitment to collaboration through contribution of intellectual content and in resource sharing. Their commitment is manifested in their contractual agreement to contribute to cooperative products or services of OCLC and/or its affiliates, but they may not necessarily contribute all of their current cataloging to an OCLC-affiliated database.

Institutions qualify for "Member" status in OCLC by contractually agreeing to be involved in one or more cooperative programs or services of OCLC. These would include "Partial Users" under OCLC's previous rules, as well as ILL only (lending) participants.

These membership levels refer to libraries, museums, archives, historical societies, professional associations, and other groups that contribute to or use the intellectual resources of the cooperative. "Members Council Members" are the networks, service centers, or other entities that contract with OCLC for OCLC services. Members that are not otherwise represented by a Members Council Member and that do not contract with the Corporation through a given single service center of the Corporation, or its equivalent, are not eligible for Members Council representation unless they meet the minimum activity level specified in "Delegate Allocation," below.

Members Council delegates may come from Governing Member or Member institutions, but only Governing Member institutions may vote in elections to Members Council. All elected delegates would be full voting members of the Members Council itself. The Members Council may elect any of its delegates to the Board of Trustees.

Voting rights for Governing Members and Members are as set forth in the OCLC Code of Regulations from time to time.

Participants are those institutions that choose to use OCLC products and services without any responsibility to return any intellectual contribution to the cooperative. While the financial contribution made by these institutions is important to OCLC, financial contribution alone does not qualify one for membership or for voting rights.

CONTRIBUTION

For purposes of this document, "contribution" is as defined from time to time by the Standing Joint Committee on Membership. Initially, "contribution" shall be defined as intellectual resources provided and shared by libraries and other institutions through the products and services of OCLC and its affiliates for the benefit of the members of the cooperative. The activities listed below are currently included in this definition:

- 1.) Adding records, content, and holdings, regardless of format or platform of entry
 - Original cataloging
 - Adding local holdings information
 - Union listing
 - Materials submitted for archiving and made available to all members and participants of the cooperative through Digital and Preservation Resources
- 2.) Maintaining records and holdings regardless of platform of entry
 - Enhance
 - Database enrichment
 - Minimal level upgrades
 - Deletion of holdings information
- 3.) Resource sharing (interlibrary loans provided)
- 4.) Contribution of authority files or thesauri

WEIGHTING OF INTELLECTUAL CONTENT

In recognition of the importance of keeping WorldCat a relevant, current tool for the benefit of the members of the cooperative, contribution of intellectual content, initially including cataloging and lending activities, will be weighted in a 2-to-1 ratio to other types of activity. The Standing Joint Committee will review whether other forms of intellectual contribution qualify for the higher weighting, as these services are made available by OCLC.

DELEGATE ALLOCATION

Delegates shall be allocated to and shall be elected by the Members Council Members on the basis of a count of all transactions by Governing Members and Members represented by each Member Council Member over the past three years. Members Council Member delegate allocations shall be determined each January on an annual basis for the following year of the Members Council.

The minimum activity for a Members Council Member to qualify for a delegate is 0.25% (one quarter of one percent) of the total weighted activity of the cooperative.

DELEGATE ALLOCATION FORMULA

There shall be sixty-six (66) total votes (and delegates) in the Members Council. The number of votes (and delegates) to which each Members Council Member shall be entitled, from time to time, shall be determined by means of the following formula.

$$V = \frac{t}{T} \times N$$

Where “V” represents the number of votes to which a Members Council Member will be entitled; and

Where “T” represents the number of transactions, weighted according to the standards established in the most recently approved statement of Membership and Contribution Protocols by all Governing Members and Members over the most recently completed three (3) fiscal years of the Corporation; and

Where “t” represents the subset of “T” that is accounted for by the Governing Members and Members represented by each Members Council Member during that same three year period; and

Where “N” represents the total number of elected delegates on Members Council.

At the adoption of this document, N equals 60. The remaining six (6) votes (and delegates) will represent the six (6) nations or regions, other than the United States of America, allocated according to the following method:

OCLC Asia Pacific, OCLC Pica, and OCLC Latin America are each assigned two transition delegates to Members Council. Each of these service centers is instructed to secure representation from those nations/regions that have the greatest potential for contributing to the Cooperative in the second transition period, July 1, 2004 through June 30, 2007. Each of these service centers will draft a policy for identifying alternate delegate(s) in case a transitional delegate is unable to attend meetings or to complete his or her three-year term. The Members Council Election Certification Committee is charged with assisting these service center staffs to ensure that delegate selection practices are fair.

In the event that an area already represented by a transitional delegate earns one or more regular delegates through increased contribution and activity during the second transition period, one or more transitional delegates from the area will be designated as an allocated delegate of the service center for the remainder of his/her/their three-year term. In this case, the allocation of regular delegates would be recalculated based on the current number of regular delegates, with the total number of both transitional and regular delegates to equal 66.

OCLC will begin counting transactions under these new rules at the beginning of FY 2002-2003. The results of these transactions will be reported to the networks and service centers in December 2003 to manage their elections beginning in 2004. The first Members Council to be seated under the new rules will take office at the Members Council meeting in October 2004.

PROCEDURES FOR CHANGING THIS DOCUMENT

- The Standing Joint Committee on Membership must approve any recommendations by a simple majority vote with a quorum of at least four members present and voting. If changes are approved, the recommendations are submitted to Members Council for consideration. (If changes to the OCLC Code of Regulations are recommended, they must be submitted to the Board of Trustees for initial consideration and follow the amendment process provided in the Code of Regulations.)
- Members Council may consider recommendations of the Standing Joint Committee on Membership through its normal procedures. However, if any action includes a change to the “Membership and Contribution Protocols,” such action must be approved by a 2/3 majority of Council delegates present and voting. If such approval is forthcoming, the changes are recommended to the Board of Trustees.
- The Board of Trustees shall consider such resolutions from the Members Council. The Board may approve a resolution by a 2/3 vote, or it may reject the resolution. If the Board approves the resolution, it takes effect as specified in the resolution. The Board may also amend the resolution by a 2/3 vote and send the amended resolution back to the Members Council for reconsideration.
- If the Board sends the resolution back to Members Council, the Council may accept the amendment(s) by a 2/3 vote, or it may reject the amendment(s). If it accepts the amendment(s), the resolution takes effect as specified. If it rejects the amendment(s), the resolution is no longer available for further revision. However, nothing in this procedure shall prevent a new resolution addressing such issues from being introduced by the Standing Joint Committee on Membership.

CERTIFICATIONS:

Approved by the OCLC Members Council on May 20, 2003.

Kristin Senecal, President, Members Council

Approved by the OCLC Board of Trustees on June 9, 2003.

William J. Crowe, Chair, OCLC Board of Trustees

Effective July 1, 2003