

OCLC ONLINE COMPUTER LIBRARY CENTER, INC.  
Meeting of the Board of Trustees  
September 22, 2003

This meeting of the Board of Trustees of OCLC Online Computer Library Center, Inc., pursuant to the notice of the Secretary dated August 28, 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 September 22, 2003 at OCLC Online Computer Library Center, Inc., 6600 Frantz Road, Dublin, OH. 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  
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:

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  
Charles Kratz, Vice President and President Elect, Members Council  
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  
Robert Seal, President, Members Council  
Richard Van Orden, Program Director, Members Council

To begin the meeting, Mr. Crowe indicated that he wished to thank Mr. and Mrs. Jordan for hosting the Board and the OCLC Strategic Leadership Team at their home on Saturday

evening. Mr. Crowe also wished to acknowledge the presence at the meeting of Messrs. Robert Seal and Charles Kratz, President and President-Elect respectively, of the OCLC Members Council. Finally, the Chair extended thanks on behalf of the Board to the OCLC staff who had facilitated the past two days of Board activities. The Chair then asked for comments on the proposed agenda for today's meeting. Mr. Shaughnessy requested that sufficient time be allotted for a discussion of the retreat materials and the Chair assured him that this would take place.

There being no further comments on the agenda, 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 June 9, 2003 meeting. Mr. Glicksman stated that he wished to make it a matter of record that his negative vote on one resolution from the last meeting was due to a misstatement of fact in the resolution, rather than a disagreement with the concept of the resolution. Mr. Shaughnessy then noted that the minutes should reflect that Mr. Crowe was recently elected to the American Library Association Council.

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) the Chair and several other Board members had recently met with Messrs. Seal and Kratz in order to map future strategies and interactions between Members Council and the OCLC Board; (ii) planning was continuing for the celebration of Mr. Kilgour's 90<sup>th</sup> birthday; and (iii) much time was being devoted to effect a smooth transition of the Chair from Mr. Crowe to Ms. Wilson in November.

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 the resolution found at Tab 3 of the Board materials. Mr. Jordan then moved that the resolution be approved, and following a second, the following resolution was unanimously approved by the full Board:

WHEREAS, Cees Datema has completed his service as observer on the OCLC Board of Trustees; and

WHEREAS, he has furthered the interests of librarianship in service to education and cultural advancement in the

Netherlands through his leadership in the Open University and through his role as Chair of De Stichting Centrum Voor Bibliotheekautomatisering PICA; and

WHEREAS, he played an integral role in the cooperative exchange of information technology to the betterment of the practice of librarianship, a core dimension of OCLC's mission of furthering access to world's information; and

WHEREAS, toward achieving these ends, he oversaw the acquisition of an equity interest in PICA b.v. by OCLC, as well as the acquisition of the OCLC EMEA operation by PICA b.v.; and

WHEREAS, he was instrumental in the recruitment and selection of the new Managing Director of PICA b.v. to succeed Look Costers upon his retirement; and

WHEREAS, this Board of Trustees is mindful of his wise counsel during his role as observer and for his years of service as Chair of the PICA Supervisory Board;

NOW, THEREFORE BE IT

RESOLVED, that this Board of Trustees expresses its deep gratitude and appreciation to Cees Datema for his outstanding contributions to the world of librarianship and orders that this resolution be spread across the minutes of this meeting.

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) as to the financial health of the company, Mr. Jordan deferred to the Finance Committee's report to follow; (ii) OCLC has recently entered into a pilot project with Google which utilizes 2 million WorldCat records for indexing purposes; (iii) Legal and Finance staff are continuing due diligence efforts on the CAPCON matter; (iv) the netLibrary division recently held a publisher's summit which Mr. Jordan attended; (v) Mr. Jordan recently hired a new Administrative Assistant who starts work today; (vi) several business opportunities had been reviewed with the Finance Committee; (vii) the Board materials include a bio on the new chair of the OCLC PICA Supervisory Board; and (viii) OCLC is exploring the leasing of space on the first floor of the Smith building. That concluded the President's report.

Mr. Glicksman then reported on behalf of the Standing Joint Committee on Membership as follows: (i) the appointees to the Committee for the next year are Mr. Glicksman

(elected Chair by the Committee), Mr. Stephens and Mr. Baker from the OCLC Board, and Ms. Jan Ison, Ms. Di Man and Mr. Thomas Kirk from Members Council, and Mr. Needham and Ms. Mary Alice Lynch representing staff and Networks/Service Centers respectively; (ii) Mr. Needham provides staff support to the Committee; (iii) two telephonic meetings had been held since the last Board meeting (June 27<sup>th</sup> and August 26<sup>th</sup>); (iv) the Committee wanted to convey its thought that OCLC should do all it can to enable the electronic link between OCLC and OCLC PICA, in order to allow European libraries to more quickly become Governing Members of the OCLC cooperative; and (v) at the August meeting, the Committee considered issues involving the delegate algorithm, products and services that might qualify for credit thereunder (including QuestionPoint, Digital Archiving and CONTENTdm), the need to get all OCLC products and services into one accounting system, and a process for acquiring input on the proposed qualifying products and services from OCLC staff, Members Council and the Networks and Service Centers prior to the Committee making its recommendations to Members Council and the OCLC Board. Following some general discussion regarding the qualification of OCLC PICA libraries as Members of OCLC, Mr. Glicksman's report ended.

The Chair then requested the report of the Finance Committee. Mr. Lauer 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. In addition, the Committee discussed: (i) FY2003 results; (ii) FY 2004 to date, and the fact that OCLC is behind budget revenues for the first 2 months of the year; and (iii) monitoring the balance of FY2004 closely in light of the results of the first 2 months. Following discussion, and no second being necessary, the following resolutions were each voted upon separately and each was unanimously approved by the Board:

#### **IBM**

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 RS/6000 p681 and related peripherals in support of the XWC Infrastructure, in the amount of \$1,472,654 over a payment term of thirty-three (33) months on such additional terms and conditions as are satisfactory to the President of the Corporation.

**PAIS ACCOUNT**

RESOLVED that Public Affairs Information Service dba PAIS, a division of OCLC Online Computer Library Center, Inc. ("OCLC") maintain the checking account known as PAIS No. 16683897 (Account) with Citibank, N.A., Branch 104, 401 W. 42<sup>nd</sup> Street, New York, New York 10036 (the Bank), and deposit therein, subject to the rules of the Bank, funds of OCLC, consisting of moneys, checks, negotiable paper and other instruments for the payment of money, acceptable to the Bank; that such funds deposited in said Account shall, subject to the rules of the Bank, be withdrawn from said Account by means of checks, drafts, notes, orders or receipts issued in the name of OCLC, signed by any one of the following officers or representatives of OCLC as to amounts of \$50,000.00 or less or any two of the following as to amounts in excess of \$50,000.00, namely: Vice President, Finance and Treasurer; Investment and Risk Manager; Director of Financial Planning; and General Counsel; and

RESOLVED FURTHER that the Bank is hereby authorized to honor and pay such checks, drafts, notes, orders or receipts and also to receive the same for the credit of or in payment from the payee or any other holder, when so signed, without inquiry as to the circumstances of their issue or the disposition of the proceeds, whether drawn to the individual order of or tendered in payment of individual obligations of said above named officers or representatives or other officers or representatives of OCLC or otherwise; and

RESOLVED FURTHER that all checks, drafts, notes or orders for the payment of money payable or belonging to OCLC may be endorsed for deposit in the Bank to the Account of OCLC by or under the direction of any one of said officers or representatives of OCLC and that a rubber stamp may be used for said purpose; and the Bank is authorized to honor and pay or purchase and pay for such instruments and also to receive the same for the credit of or in payment from the endorsee or any other holder, when so endorsed, without inquiry as to the circumstances of such endorsement or the disposition of the proceeds, whether endorsed in blank or to the individual order of or tendered in payment of individual obligations of the said above named officers or representatives or other officers or representatives of OCLC or otherwise; and

RESOLVED FURTHER that OCLC hereby guarantees to the Bank the payment of all checks, drafts and notes which may at any time be deposited to the Account without the endorsement of OCLC appearing on such items and the certification of these resolutions by an officer of OCLC shall bind it upon this guaranty; and

RESOLVED FURTHER that the Secretary furnish to the Bank a certified copy of these resolutions and a certificate setting forth the names of the authorized signatories on this Account and specimens of their signatures, and from time to time whenever new signatories on this Account shall be authorized, additional certificates setting forth the names of said signatories and specimens of their signatures, and the Bank is authorized to rely on these resolutions and each such certificate as being in effect without modification until written notice of any change therein shall be delivered to it and acknowledged by the Bank; and

RESOLVED FURTHER that this resolution supersedes and replace all prior resolutions with respect to the Account.

**OCLC MEXICO ACCOUNT**

RESOLVED that OCLC Mexico, a division of OCLC Online Computer Library Center, Inc. ("OCLC") maintain the checking account known as the general account (Account) with Santander Serfin Banca Serfin, S.A. Institución de Banca Múltiple, Grupo Financiero Santander Serfin (the Bank), and deposit therein, subject to the rules of the Bank, funds of OCLC, consisting of moneys, checks, negotiable paper and other instruments for the payment of money, acceptable to the Bank; that such funds deposited in said Account shall, subject to the rules of the Bank, be withdrawn from said Account by means of checks, drafts, notes, orders or receipts issued in the name of OCLC, signed by any one of the following officers or representatives of OCLC as to amounts of \$50,000 Pesos or less or any two of the following as to amounts in excess of \$50,000.00 Pesos, namely: Vice President, Finance and Treasurer; Investment and Risk Manager; Director of Financial Planning; General Counsel and Sales Manager;

RESOLVED FURTHER that the Bank is hereby authorized to honor and pay such checks, drafts, notes, orders or receipts and also to receive the same for the credit of or in payment from the payee or any other holder, when so signed, without inquiry as to the circumstances of their issue or the disposition of the proceeds, whether drawn to the individual order of or tendered in payment of individual obligations of said above named officers or representatives or other officers or representatives of OCLC or otherwise; and

RESOLVED FURTHER that all checks, drafts, notes or orders for the payment of money payable or belonging to OCLC may be endorsed for deposit in the Bank to the Account of OCLC by or under the direction of any one of said officers or representatives of OCLC and that a rubber stamp may be used for said purpose; and the Bank is authorized to honor and pay or purchase and pay for such instruments and also to receive the same for the credit of or in payment from the endorsee or any other holder, when so endorsed, without inquiry as to the circumstances of such endorsement or the disposition of the proceeds, whether endorsed in blank or to the individual order of or tendered in payment of individual obligations of the said above named officers or representatives or other officers or representatives of OCLC or otherwise; and

RESOLVED FURTHER that OCLC hereby guarantees to the Bank the payment of all checks, drafts and notes which may at any time be deposited to the Account without the endorsement of OCLC appearing on such items and the certification of these resolutions by an officer of OCLC shall bind it upon this guaranty; and

RESOLVED FURTHER that the Secretary furnish to the Bank a certified copy of these resolutions and a certificate setting forth the names of the authorized signatories on this Account and specimens of their signatures, and from time to time whenever new signatories on this Account shall be authorized, additional certificates setting forth the names of said signatories and specimens of their signatures, and the Bank is authorized to rely on these resolutions and each such certificate as being in effect without modification until written notice of any change therein shall be delivered to it and acknowledged by the Bank; and

RESOLVED FURTHER that this resolution supersedes and replace all prior resolutions with respect to the Account.

Discussion followed, regarding the need for OCLC to deal in U.S. Dollars whenever possible in foreign transactions and the need for OCLC to monitor Network finances. This concluded the report of the Finance Committee. The Chair then called for a break at 9:18 a.m.

The meeting was re-convened at 9:45 a.m., at which time the Chair asked for Members Council comments from Messers Seal and Kratz, after which they discussed the following: (i) the invitation to participate in both the Board retreat on Saturday, and the Board meeting on Monday was greatly appreciated; (ii) they wished to thank the Board, especially Mr. Crowe, for moving the process of exchange between the Board and the Members Council forward; (iii) a review of the Members Council annual plan and associated documents found in the Board packets, (iv) the importance of recognizing the 5 pillars of the cooperative foundation, those being the Board, the senior management team of OCLC, the Members Council, the Library Members and the Networks; (v) their thanks for the participation of the Board and staff members on the various Members Council committees; (vi) the need to address issues of globalization and communication during the coming year, (vii) their continuing concern regarding the issue of the unauthorized use of records; (viii) a review of the Members Council interest group issues and the OCLC staff responses thereto, and (ix) the continuing concern about the inclusion of smaller libraries within the cooperative. Discussion then followed regarding the methodology surrounding the election of delegates to the Members Council. This concluded the Members Council report.

Ms. Hanawalt then reported on behalf of the Personnel and Compensation Committee that the members had met and had reviewed: (i) the FY 2006 metrics for the LTIP plan; and (ii) a draft agenda for November which would include a review of the Committee Charter, the OCLC Employee Opinion Survey, the progress of the succession management program and appropriate criteria for the CEO's performance review. Ms. Hanawalt then indicated that the Committee had reviewed 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 asked for the report of the Audit Committee, and Mr. Frasier reported that the Audit Committee had met with all members present, and had: (i) met with representatives from Deloitte and Touche to receive the annual audit information, (ii) reviewed the audit opinion and

financial results thereof, as well as the audit scope letter, and (iii) reviewed and unanimously recommended the following resolution which could be found at Tab 6 in the Board materials:

RESOLVED, that the Deloitte & Touche audit report and internal control letter for the year ended June 30, 2003, be and the same are hereby accepted.

Following discussion, and no second being necessary, the above resolution was voted upon and unanimously approved by the Board. In addition, Mr. Frasier indicated that the Committee also: (i) reviewed the independence letter and past year's fee breakdown for Deloitte and Touche; (ii) met with the Deloitte and Touche representatives without OCLC staff being present; (iii) reviewed three conflict of interest statements of Board members (with no material concerns); (iv) reviewed the upcoming RFI for audit services; (v) discussed again the concern about the financial health of the Networks; and (vi) discussed the need to address and review the procedure for "whistleblowers" to make their concerns known at OCLC. This concluded Mr. Frasier's report.

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 continue to submit their suggestions to the Committee for other individuals who could be added to this list, (ii) approved the implementation of a web-based Board assessment tool pilot which would be managed by Mr. Gómez; (iii) discussed committee assignments for FY2004; and (iv) continued review and implementation of the Board website under the guidance of Ms. Ryland with the help of various OCLC staff. Mr. Baker then indicated that the Committee had also reviewed and unanimously approved the following resolution:

RESOLVED, that the following persons are hereby elected to serve as officers of the Board of Trustee immediately following the Trustee Members meeting on November 17, 2003:

Chair	Lizabeth Wilson
Vice Chair	Maurice Glicksman
Secretary	James Houfek
Treasurer	Rick Schwieterman

Mr. Glicksman and Ms. Wilson excused themselves at this time. Mr. Crowe indicated that the election of officers was being completed at this juncture, so that Member's Council and other interested parties would be made aware of the identity of the new Board Chair and Vice-Chair earlier

in the year. No second being necessary, the Chair then called for the vote, and the above resolution was unanimously approved by all Board members who were present. Mr. Glicksman and Ms. Wilson then returned to the meeting. Upon his return, Mr. Glicksman suggested that perhaps the Board might wish to consider employees of UNESCO or the UN for future Board positions.

The Chair then called for other business. A discussion was then initiated by Messrs. Gómez and Baker which reviewed the retreat as to results and suggested improvements for future sessions. Following some general discussion, the Chair called for a break at 11:29 a.m.

The meeting was reconvened at 11:34 a.m., at which time the Board was called into Executive Session, subsequently reconvening the meeting in regular session at 12:32 p.m. During the Executive Session of the Board, the Chair indicated that the following six resolutions had been voted upon separately, and each resolution had been separately approved, with abstentions and absences as indicated below:

The following 2 resolutions were unanimously approved, with the exception of abstentions by Mr. Jordan (who was present during the votes):

#### **CAPCON IMPACT ON MIP**

RESOLVED, that the contribution or loss from the Corporation's acquisition of CAPCON shall not be considered in calculating the awards under the Management Incentive Plan computation at the conclusion of the fiscal year ending June 30, 2004.

#### **LTIP (Other than President)**

RESOLVED, That the Personnel and Compensation Committee of the Board of Trustees has completed their review and recommendations regarding the FY2006 metrics for the long-term incentive plan ("LTIP"), and after appropriate discussion and review by the full Board, the following are hereby approved:

The LTIP target percentages effective for FY 2006 for participants other than the President and CEO.

The LTIP threshold, target and maximum performance measures to be achieved as of June 30, 2006 and the weighting assigned to each for participants other than the President and CEO.

The following 4 resolutions were unanimously approved by all members of the Board, with the exception of Mr. Jordan who had excused himself from the meeting:

**Special Incentive for President & CEO**

RESOLVED, That the Personnel and Compensation Committee of the Board of Trustees has completed their review and recommendations regarding the “Special Incentive” plan and the associated metrics as provided in the employment contract with the president and CEO, and after appropriate discussion and review by the full Board, the following are hereby approved:

The “Special Incentive” target percentage for the FY2006 performance period for the President and CEO.

The “Special Incentive” threshold, target and maximum performance measures to be achieved as of June 30, 2006 and the weighting assigned to each for the President and CEO.

**President & CEO MIP**

RESOLVED, that the recommendation of the Personnel and Compensation Committee regarding the final 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.

**Special Awards**

RESOLVED, that the recommendation of the Personnel and Compensation Committee regarding certain one-time special awards for Rich Rosy and Margaret Bellinger, be and the same are hereby approved.

**MIP**

RESOLVED, that following review by both the Personnel & Compensation Committee and the Board in executive session, the recommendations of the Personnel and Compensation Committee regarding a Management Incentive Plan award as presented in Executive Session be approved and the allocation of said funds be directed as follows:

- (1) Management Incentive awards to the vice presidents of this Corporation for the fiscal year 2002/2003 be and the same is hereby approved as presented, pursuant to the provisions of the Management Incentive Plan.

- (2) Management Incentive awards to the President and Chief Executive Officer of this Corporation for the fiscal year 2002/2003 be and the same is hereby approved.
- (3) Management Incentive Plan awards to non-executive plan participants of the Corporation be and the same is hereby approved as determined by the President and Chief Executive Officer pursuant to the provisions of the Management Incentive Plan.

There being no further business to come before the meeting, on motion duly made and seconded, it was adjourned at approximately 12:33 p.m.

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/s/  
William J. Crowe, Chair

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/s/  
James T. Houfek, Secretary