

OCLC ONLINE COMPUTER LIBRARY CENTER, INC.
Meeting of the Board of Trustees
April 20, 2004

This annual meeting of the Board of Trustees of OCLC Online Computer Library Center, Inc., pursuant to the notice of the Secretary dated April 1, 2004, 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., local time, on April 20, 2004 at OCLC Online Computer Library Center, Inc., 6600 Frantz Road, Dublin, OH. Ms. Wilson 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
Jane N. Ryland
Thomas W. Shaughnessy
Jerry Stephens
Lizabeth A. Wilson

Trustees Absent:

David P. Lauer

Also, present for all or portions of the meeting:

Lizabeth J. Bishoff, Vice President, Digital Collections and Metadata Services.
Lorcan Dempsey, Vice President, Research and Chief Strategist
Cathy De Rosa, Vice President, Marketing
Frank J. Hermes, Vice President, Global Business Development
James T. Houfek, Vice President, General Counsel and Secretary
Gary R. Houk, Vice President, Corporate Information Technology & Business Integration
George Needham, Vice President, Member Services
Rich Rosy, Corporate Vice President, netLibrary Division and Content Management
Rick J. Schwieterman, Vice President, Finance & Human Resources and Treasurer
Phyllis B. Spies, Vice President, Collection Management
Rein van Charldorp, Managing Director, OCLC PICA

To begin the meeting, Ms. Wilson made the following comments: (i) a thank you was extended from the Chair on behalf of the entire Board, to the staff of OCLC who contributed significant efforts to the second portion of the Finance Committee's meeting yesterday, and (ii)

mention was made of an addition to the “other business” portion of the agenda. Following her comments, the Chair then asked for any discussion on the proposed agenda, and there being none, she requested 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 both their February 23, 2004 and the (telephonic) March 11, 2004 meetings.

Ms. Wilson referred the Board to her Chair’s report that had previously been sent to them, and which could be found at Tab 2 of the Board materials. In addition, Ms. Wilson: (i) indicated that Mr. Glicksman would be attending the transition luncheon of the Members Council meeting to be held in May, on behalf of the Chair, and (ii) discussed some of the details of the next Board meeting to be held in Seattle, Washington in June.

Ms. Wilson then reported on the meeting of the Executive Committee of the Board, indicating that the Committee had met with all members present and had: (i) discussed details of the November Board meeting and retreat, including the plan to hold the retreat on Sunday and the Board meeting on Monday, with no Committee meetings taking place prior to the Board meeting as is usually the case; (ii) considered possible venues for the June, 2005 Board meeting; (iii) discussed additional means of reducing Board costs in the near future including issues of Members Council meeting attendance by the Board and the possibility of holding the Members Council and Board meetings in February of each year on a concurrent basis, and (iv) conducted its usual extensive dialog with Mr. Jordan regarding the current status of the cooperative.

The Chair then called for the President’s report. Mr. Jordan first asked that the Board look to his written report for details, but then stated that he wanted to call their attention to the following specific items: (i) staff planning on being in attendance in Seattle in June should review and be familiar with WebJunction and CONTENTdm, as representatives from the Gates Foundation will be in attendance at some of the social events; (ii) much effort has gone into attempting to re-align OCLC staff to meet perceived future corporate goals; (iii) OCLC recently hosted a conference of state librarians and will be meeting further to see if future such events would be of use to that group; (iv) congratulations to Mr. van Charldorp and his OCLC PICA team for recently acquiring a new central system contract in Germany; (v) Ms. De Rosa and Mr. Jordan had recently visited Penn State

at the request of Nancy Eaton with several opportunities for enrichment on both sides; (vi) funding from a variety of sources is once again becoming available as the general economy continues its recovery; (vii) several states are considering legislation which prohibits state funds to be used to purchase products or services produced with offshore material or labor, (viii) the University of Kansas has graciously promoted the recently released OCLC Environmental Scan, and (ix) recent internal audit matters. That concluded the President's report.

A presentation was then delivered to the Board by Chip Nilges and Mike Teets, regarding the Open WorldCat Pilot Project.

The Chair then called for a break at 10:00 a.m.

The meeting was reconvened at 10:23 a.m., at which time Mr. Glicksman reported on behalf of the Standing Joint Committee on Membership that the Committee had met on five occasions during the past year, had produced a draft of its annual report which will be presented to the Members Council, as required. Subsequent to the approval of Members Council, the report will be shared with the Board. This concluded Mr. Glicksman's report.

The Chair then requested the report of the Finance Committee. Mr. Frasier reported on behalf of Mr. Lauer. Mr. Frasier indicated that the Committee had met in a two-part session. During the first, during which just the members of the Committee were present, the Committee had: (i) approved the minutes of two prior meetings; (ii) heard a presentation from Mr. Schwieterman regarding an updated resolution as to restructuring costs, and (iii) heard a further presentation by Mr. Schwieterman regarding a proposed draw down of bond financing funds. Mr. Frasier then introduced the following resolution which had been reviewed by the Committee and was being moved for passage by the full Board at this time:

WHEREAS, the Corporation was authorized to execute a severance and corporate restructuring program by the Board of Trustees on February 23, 2004; and

WHEREAS, the Corporation has initiated the severance and restructuring program and has determined that the total cost of the programs will exceed the previously approved amount;

NOW, THEREFORE, BE IT RESOLVED, that the Corporation be, and it hereby is, authorized to pursue the severance and corporate restructuring program, in keeping with the

presentation to the Finance Committee during their April 19, 2004 meeting, with the understanding that the total cost of the severance program shall not exceed \$3.6 Million Dollars, and that said cost net of salary savings in FY04 will not be considered in calculating the awards under the Management Incentive Plan computation at the conclusion of the fiscal year.

No second being necessary, and no further comments being expressed, a vote was taken on the foregoing resolution, and said resolution was unanimously approved, except for the abstention of Mr. Jordan. Mr. Frasier then related that the Committee meeting continued into its second phase, with the inclusion of the rest of the Board and the Strategic Leadership Team of OCLC. During this second phase: (i) the corporate operating plan for FY 2005-2007, and the budget for FY 2004-2005 were reviewed in a presentation by Mr. Schwieterman, and (ii) Mr. Hermes presented a review of the potential acquisition of a virtual reference service. Mr. Frasier then presented the following two resolutions which had been reviewed by the Committee and were being moved for approval by the full Board at this time:

24X7

RESOLVED, That in view of the Corporation's interest in expanding its member base, cataloging and content resources, the Corporation should proceed with and further investigate the potential for merger with and/or asset acquisition of the Metropolitan Cooperative Library System's reference service known as 24x7 ("24X7").

Therefore, Robert L. Jordan, President and Chief Executive Officer, Frank J. Hermes, Vice President, Business Development, 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 the following actions in the name and on behalf of this Corporation:

- 1) To enter into a non-binding Letter of Intent with 24X7;
- 2) To conduct an appropriate due diligence process to determine the acceptability of 24X7 for merger and/or acquisition; and
- 3) If satisfied with the due diligence review, to negotiate a proposed definitive agreement for presentation to and final approval of the Executive Committee of the OCLC Board of Trustees.

FURTHER RESOLVED, That the officers of this Corporation be and they 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 Resolutions.

CORPORATE OPERATING PLAN

RESOLVED, That the fiscal year 2004/2005 budget of the Corporate Operating Plan, as presented to this meeting, be and the same hereby is approved.

No second being necessary, and no further comments being expressed, a vote was separately taken for each of the foregoing resolutions, and each said resolution was unanimously approved. This concluded the report of the Finance Committee.

The Chair then called for the report of the Personnel and Compensation Committee. Ms. Ryland reported that all of the Committee members had met and had: (i) reviewed the recently completed Employee Opinion Survey results in more detail than had been previously available, and suggested that the next survey be extended to non-U.S. employees and subsidiaries; (ii) reviewed the recent corporate reorganization with discussion of legal issues, linking of the new organization chart from the Board web page, issues of job security and staff perceptions and that communications between managers and staff employees be improved in both directions; (iii) reviewed preliminary Management Incentive Plan performance targets with a further review to be completed at the June Committee meeting, and (iv) given attention to the June meeting agenda which would include a reorganization update, MIP objectives for the Vice Presidents, and an appraisal of Mr. Jordan's performance. Ms. Ryland then indicated that the Committee had no resolutions to bring to the Board at this time. That concluded Ms. Ryland's report.

Ms. Wilson then called on Mr. Baker for his report from the Nominating and Board Development Committee. Mr. Baker related that the Committee met and had decided on their recommendation for the three Board representatives to the Joint Committee on Membership for the

coming year, and had reviewed and approved the following resolution for ratification by the full Board:

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 2004/2005:

Brad Baker
Martín Gómez
Jerry Stephens

No second being necessary, and no further comments being expressed, a vote was taken for the foregoing resolution, and said resolution was unanimously approved. Mr. Baker then indicated that the Committee also: (i) had been informed that Kathy Wilt would be the new representative to the Joint Committee on Membership on behalf of RONDAC; (ii) continued their efforts to select a slate of candidates for recommendation to the full Board at the June meeting; (iii) received an affirmative response from David Roselle as to his willingness to accept an appointment to the Board; (iv) discussed updated orientation procedures for the new Board members, with Mr. Crowe drafting a list of suggestions regarding same; (v) reviewed a proposed agenda for the June Committee meeting, and (vi) considered the need to update the Committee's Charter. This concluded Mr. Baker's report.

Mr. Frasier then reported on behalf of the Audit Committee. Mr. Frasier indicated that the Audit Committee had met with all members present, and although there were no action items at this time, the Committee had: (i) approved the minutes of their previous meeting; (ii) received a briefing from the Deloitte & Touche representatives on the terms of the new audit engagement and certain changes in recent accounting pronouncements; (iii) reviewed information on the detail of OCLC's insurance coverage and costs; (iv) conducted its annual review of the Committee Charter with discussion of two items and deferral on one matter until further information and recommendation was provided by staff at the next Committee meeting, and (v) discussed a recent internal audit matter, following reports from Mr. Schwieterman and Mr. Houfek. This concluded Mr. Frasier's report.

The Chair then called for other business. The Chair noted that the Members Council had created an ad hoc Committee on Communication for the Collaborative, on which Mr. Crowe has

served as the Board representative. Mr. Crowe indicated that the Committee had recently held its last meeting and that a report had been drafted for presentation at the May meeting of the Members Council, and about which he would be ready to report to the Board at its June meeting. He had shared with the Board a copy of a report of the results of a survey on issues of communication which had solicited the opinions of a sample of directors of member libraries. He commended the quality of the work of Ms. De Rosa and her staff, who had conducted the survey and prepared the report for the ad hoc committee. There being no further other business, the Chair then called the Board into executive session at 11:06 a.m., subsequently reconvening the meeting in regular session at 12:13 p.m. There were no resolutions approved during the executive session.

There being no further business to come before the meeting, on motion duly made and seconded, it was adjourned at approximately 12:20 p.m.

/s/
Lizabeth A. Wilson, Chair

/s/
James T. Houfek, Secretary