

OCLC ONLINE COMPUTER LIBRARY CENTER, INC.
Meeting of the Board of Trustees
June 7, 2004

This meeting of the Board of Trustees of OCLC Online Computer Library Center, Inc., pursuant to the notice of the Secretary dated May 18, 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 June 7, 2004 at the Sorrento Hotel, 900 Madison Street, Seattle, WA. 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 (via speakerphone)
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
Rick J. Schwieterman, Vice President, Finance & Human Resources and Treasurer

To begin the meeting, Ms. Wilson first thanked Ms. Ryan for all of her efforts in coordinating the various activities surrounding the Board's visit to Seattle, and she also expressed thanks to Mr. Jordan for arranging the WebJunction briefing. Ms. Ryland added thanks to Ms. Wilson on behalf of the entire Board for hosting the meeting in Seattle, and for her contribution to the weekend's activities. Following those 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.

Upon motion duly made and seconded, the Board of Trustees unanimously approved the minutes of their April 20, 2004 meeting.

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 then indicated that her written report which had referred to calls that she made to all Board members had actually been made only to those Trustees who are not on the Executive Committee, and that she had not been able to reach Mr. Gómez.

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) conducted its usual extensive dialog with Mr. Jordan regarding the current status of the cooperative; (ii) continued discussions regarding the nature and extent of the Board members participating in the Members Council meetings with the final recommendation being that the Trustees should continue to attend the Members Council meetings as their interests and schedules permit; (iii) discussed the possibility of holding the February 2005 Board meeting immediately following the February Members Council meeting in order to better control travel costs, and (iv) discussed possible venues for the June 2005 Board meeting, with a Canadian location being under consideration.

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) Cees Datema, former Chair of the PICA Foundation in the Netherlands passed away, and flowers were sent on behalf of the entire company; (ii) Yahoo has just completed uploading licensed portions of two million WorldCat records pursuant to OCLC's agreement with them; (iii) Mr. Hermes has informed Mr. Jordan that he will be retiring from OCLC effective June 30, 2004, with Mr. Needham to take over the functions formerly managed by Mr. Hermes; (iv) negotiations and due diligence are continuing to progress on a proposed acquisition in California and the Board will continue to be advised as further progress is made; (v) the OCLC-CAPCON operation is running smoothly with further integration into OCLC's corporate environment planned; (vi) the CONTENTdm product had two very good months of revenue and discussions are continuing regarding the future structuring of the product within the OCLC environment; (vii) recent issues in the

contract services area have been addressed and the operation has been placed under Mr. Andy Pflaum, who will report to Ms. Spies, and (viii) discussions continue with the various networks regarding a restructuring of the distribution model for OCLC products and services. That concluded Mr. Jordan's report.

Mr. Glicksman then reported on behalf of the Standing Joint Committee on Membership that: (i) the Board members had been furnished with a copy of the Committee's report, and that no recommendations had issued from the Committee in the past year; (ii) thanks were due the Committee members for their work during the past year; (iii) Mr. Stephens, Mr. Baker and Mr. Gómez had been chosen to represent the Board on the Committee during the coming year, and (iv) given the recent assignment to Mr. Needham of products that are seeking recognition before the Committee, perhaps his position on the Committee might need to be reconsidered as now being in conflict with those new assignments. Mr. Crowe then thanked Mr. Glicksman for his leadership of the Committee as its Chair, and reminded the Board that such efforts should not be taken for granted. Ms. Wilson then added her thanks to all of the members of the Committee for their fine work during the past year.

The Chair then requested the report of the Finance Committee. Mr. Lauer indicated that the Committee had met and had: (i) heard a briefing from a Merrill Lynch representative who acts as OCLC's investment advisor, which dealt with proposed changes to the corporate portfolio/investment policy; (ii) discussed the current product segment reports, and (iii) discussed the current status of the acquisition opportunity currently being considered by management. Mr. Lauer 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:

RESOLVED, That the amendment to the Investment Policy and Guidelines for the Long-term Portfolio of the Corporation as presented to this meeting, a copy of which is attached hereto, is hereby approved and adopted, and that the Vice President, Finance shall be empowered to carry out such Policy.

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

The Chair then called for a break at 9:23 a.m.

The meeting was reconvened at 9:40 a.m., at which time the Chair 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 reorganization and resultant restructuring within the company, with a review of the effect thereof on the internal employee demographics to be considered in September; (ii) reviewed the timing of the merit and Management Incentive Plan awards which are currently different for Mr. Jordan versus the other OCLC employees; (iii) agreed to make both the merit and the Incentive Plan awards in June of each year through the implementation of a transition plan which will assign one-half of the merit increase due an employee to be effective at the end of calendar year 2004, and the remaining half thereof effective at the end of fiscal year 2004-2005; (iv) added an 8th measurement to the “people metric” for the Long Term Incentive Plan based on the employee opinion survey which is conducted every two years; and (iv) several resolutions to recommend to the Board, which would be discussed in the Board’s Executive session later today. 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: (i) continued their efforts towards additional slate development; (ii) selected David Roselle and Elisabeth Niggemann as the Committee’s recommendations for the November vacancies; (iii) expressed the intent to recommend re-election of Mr. Frasier, Ms. Ryland and Mr. Lauer to their Board seats in November; (iv) assigned mentors to be assigned to the new Board members (which would also include Mr. Bob Seal and Ms. Vickie Johnson who were the Board appointees selected by Members Council); (v) reviewed the Committee charter with an amended document to be presented to the Board in September; (vi) further explored the Committee’s Board effectiveness role with a report planned for the full Board in September; (vii) begun consideration of the Committee and Officer

recommendations for 2005, and (vii) began consideration of the exit interview process for those Trustees leaving the Board in November. This concluded Mr. Baker's report.

The Chair then noted that she would appreciate comments regarding the scheduled Board retreat in November, including: (i) the possibility of an outside facilitator; (ii) limiting the focus of the retreat to a few (rather than many) critical issues; (iii) consideration of the fact that OCLC is now five years out from its last governance report, and (iv) continued thoughts about what businesses OCLC should be involved with. The Chair then called for other business. Mr. Crowe indicated that the final report of the Ad Hoc Committee on Communication was available from the Members Council. There being no further other business, the Chair then called the Board into executive session at 10:01 a.m., subsequently reconvening the meeting in regular session at 11:23 a.m. The Chair reported that five resolutions had been discussed and approved during the executive session. Four of the resolutions were brought forward and recommended by the Personnel and Compensation Committee, and as such did not require a second. Each of said resolutions were separately voted on, and each was unanimously approved by the full Board, with the exception of Mr. Jordan who excused himself from the meeting during consideration and vote on the resolution regarding his compensation. Those resolutions read as follows:

BASE SALARY

RESOLVED, that due to the recent corporate restructuring and following the review of the responsibilities of the officers of the Corporation by both the Personnel & Compensation Committee and the Board in Executive Session, the recommendations of the Personnel and Compensation Committee regarding base salary for vice presidents of the Corporation, effective March 1, 2004 and July 1 2004, be and the same hereby are approved.

CORPORATE PERFORMANCE TARGETS

RESOLVED, that the recommendation of the Personnel and Compensation Committee regarding the FY2004/2005 Management Incentive Plan corporate performance targets for the vice presidents of the Corporation be and the same is hereby approved.

RESOLVED, that the recommendation of the Personnel and Compensation Committee regarding the FY2004/2005 Management Incentive Plan corporate performance targets for Jay Jordan, the President and Chief Executive

Officer of the Corporation, be and the same is hereby approved.

After appropriate discussion, and on motion duly made and seconded, the following additional resolutions were also brought forward for vote by the full Board (with the exception of Mr. Jordan who had excused himself from the meeting):

CEO PERFORMANCE

RESOLVED, that following a review of the individual performance of the President & CEO for FY 2003/2004, as well as the overall financial condition of the Company, the Board in executive session hereby approves the annual base salary for Robert L. Jordan to be effective July 1, 2004.

CEO PERFORMANCE GOALS 2004/2005

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 2004/2005, and the same are hereby approved.

A vote was taken, and the resolutions were unanimously approved by all Trustees (except Mr. Jordan, who was not present).

There being no further business to come before the meeting, on motion duly made and seconded, it was adjourned at approximately 11:24 a.m.

/s/
Lizabeth A. Wilson, Chair

/s/
James T. Houfek, Secretary