

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

This meeting of the Board of Trustees of OCLC Online Computer Library Center, Inc., pursuant to the notice of the Secretary dated September 3, 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 September 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  
Barbara Gubbin  
Victoria Hanawalt  
Jay Jordan  
David P. Lauer  
Jane N. Ryland  
Thomas W. Shaughnessy  
Jerry Stephens  
Lizabeth A. Wilson

Trustees Absent:

Martín Gómez

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  
Lizabeth J. Bishoff, Vice President, Digital Collections and Metadata Services.  
Lorcan Dempsey, Vice President, Research and Chief Strategist  
Cathy De Rosa, Vice President, Marketing  
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  
Phyllis B. Spies, Vice President, Collection Management

To begin the meeting, Ms. Wilson 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 June 7, 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 noted that: (i) she, Mr. Jordan and Ms. DeRosa had recently attended the American Association of Universities meeting of provosts, and had made a presentation to the group on the OCLC Environmental Scan, and that a written summary would be sent to each of the Trustees in the near future; (ii) the Board retreat was scheduled for the 14<sup>th</sup> and 15<sup>th</sup> of November, and was being coordinated by Mr. Dempsey, Mr. Gómez and Mr. Baker; (iii) Mr. Jay Barney from the Fisher College of Business of The Ohio State University would be the facilitator of the retreat as well as the retreat scheduled for senior management in October; (iv) the four new Board members would be invited to the retreat as well as the President and Vice-President of Members Council; (v) all Trustees should get their updated biographies to Ms. Ryan as soon as possible, and (vi) Ms. Cotterman would be taking over Ms. Ryan's duties for the Board for the November meeting during Ms. Ryan's absence.

Ms. Wilson then reported on the meeting of the Executive Committee of the Board, indicating that the Committee had met with all members and had: (i) discussed the November retreat and meeting, as well as the new member orientation scheduled for November 13<sup>th</sup>; (ii) confirmed the February meeting date change to February 6 in order to coincide with the Members Council meeting; (iii) confirmed that the June 2005 meeting would be held in Toronto, with the following resolution being recommended for approval by the full Board at this time:

RESOLVED, That the following meeting date for the Board of Trustees will be changed in 2005 as shown:

<u>Previous Date</u>	<u>New Date</u>
February 28, 2005	February 6, 2005

NOW THEREFORE, the meeting schedule for 2005 shall be:

February 6, 2005	September 19, 2005
April 18, 2005	November 13-14, 2005
June 6, 2005 (Toronto Canada)	

FURTHER RESOLVED, That the annual meeting of the Board of Trustees shall be held immediately following the annual meeting of the Trustee Members on November 14, 2005.

No second being necessary, and no further comments being expressed, a vote was taken on the foregoing resolution and said resolution was unanimously approved; (iv) decided to proceed with a study of the compensation for the top 4 executives at OCLC, as well as the Trustees in order to assure compliance with recent intermediate sanctions rulings from the IRS, and (v) conducted the usual comprehensive review of current operating issues at OCLC with Mr. Jordan. Ms. Wilson then indicated that the Committee had met telephonically on two additional occasions since the last regular Board meeting, and had unanimously passed the following resolutions after each was moved and seconded:

**24/7 Service**

RESOLVED, That this Corporation be and it hereby is authorized to enter into a final agreement with Metropolitan Cooperative Library System on substantially the same terms and conditions as presented to the Finance Committee at its June 6, 2004 meeting, and that Robert L. Jordan, President and Chief Executive Officer, 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 in order to complete this transaction with a sum to be paid to Seller and liabilities to be assumed by Buyer in exchange for said assets not to exceed a total of \$200,000 plus taxes, costs and miscellaneous expenses.

RESOLVED, That each of the officers of this Corporation be and they are each authorized to execute and deliver in the name and on behalf of this Corporation such certificates, 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.

**MARS Service**

RESOLVED, That this Corporation be and it hereby is authorized to sell the Corporation's authority control service known as MARS on substantially the same terms and conditions as presented to the Executive Committee on August 30, 2004 and that Robert L. Jordan, President and Chief Executive Officer, Phyllis B. Spies, Vice President, Collection Management Services, 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 in order to complete this transaction.

RESOLVED, That each of the officers of this Corporation be and they are each authorized to execute and deliver in the name and on behalf of this Corporation such certificates, 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.

Following discussion the following resolution was moved, seconded and unanimously approved:

RESOLVED, That the actions of the Executive Committee of the Board of Trustees taken in the telephonic meetings held on June 23, 2004 regarding the purchase of the 24/7 service, and on August 30, 2004 regarding the sale of the MARS service are hereby ratified and affirmed.

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) progress was being made on several divestiture opportunities and the Board would be further advised as the matters moved forward; (ii) the 24/7 acquisition has been completed; (iii) significant changes had recently been made to the direct or internal distribution channels in terms of assignments, responsibilities and compensation; (iv) that Mr. Jordan had attended the IFLA conference and that 5 new IFLA fellowships had been announced for 2005; (v) CONTENTdm was still the best in class and that business alternatives were being discussed with the principals of that company; (vi) Ms. Bishoff will begin working on a part time basis effective December 1, 2004; (vii) OCLC PICA had just completed a successful bid to provide services to the National Library of Australia; (viii) NetLibrary had recently secured distribution rights to a significant number of Penguin titles, as well as to Recorded Books content, and (ix) there is ongoing discussion with the network distribution channel regarding the need for a more "pay for performance" compensation model. That concluded Mr. Jordan's report.

Mr. Stephens then reported on behalf of the Standing Joint Committee on Membership that the Committee had met and had 2 products/services under consideration for contribution qualification (V3 and the Clase and Periódica databases), but that no decisions had been reached. Additional comments were made by Mr. Baker, Mr. Glicksman, Ms. Spies and Mr. Needham.

The Chair then requested the report of the Finance Committee. Mr. Lauer indicated that the Committee had met with all members in attendance, and had: (i) reviewed the audited financial statements which indicated that OCLC is in a strong financial position; (ii) discussed the Management Incentive Plan results and forwarded comments to the Personnel and Compensation Committee; (iii) reviewed the financial results for the first 2 months of FY 2004-2005, and (iv) discussed the current status of the divestiture opportunity for PAIS currently being considered by management. Mr. Lauer then introduced the following resolution which had been reviewed by the Committee and was being recommended for passage by the full Board at this time:

RESOLVED, That this Corporation be and it hereby is authorized to sell the Corporation's division known as Public Affairs Information Service ("PAIS") on substantially the same terms and conditions as presented to the Finance Committee on September 19, 2004 for an amount in excess of \$5 million Dollars.

FURTHER RESOLVED, That Robert L. Jordan, President and Chief Executive Officer, George Needham, Vice President, Member Services, 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 in order to complete this transaction.

FURTHER RESOLVED, That each of the officers of this Corporation be and they are each authorized to execute and deliver in the name and on behalf of this Corporation such certificates, 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.

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 the report of the Personnel and Compensation Committee. Ms. Ryland reported that all of the Committee members had been present, had met and had: (i) reviewed the MIP and LTIP information for FY 2004-2005 and would present further information and several resolutions during the executive session of the Board scheduled for later today; (ii) reviewed the

Committee Charter and discussed possible changes including Board compensation and responsibility for inclusion initiatives, all of which would be included in final form in the revised Charter to be presented at the February Board meeting, and (iii) reviewed the intermediate sanctions issues and compliance, with further discussion to follow. That concluded Ms. Ryland's report.

The Chair then called for a break at 9:30 a.m.

The meeting was reconvened at 10:00 a.m., at which time Ms. Wilson presented Ms. Ryan with a gift from the Board and extended best wishes on the upcoming birth of her new baby. Ms. Wilson then called on Mr. Baker for his report from the Nominating and Board Development Committee. Mr. Baker related that the Committee met with all members in attendance, and had: (i) recommended the reappointment of Mr. Frasier, Ms. Ryland and Mr. Lauer to the Board in November; (ii) issued a draft of the proposed Committee and officer appointments for FY 2004-2005; (iii) reviewed the annual Board effectiveness study with a summary of the findings coming in the near future to the Trustees; (iv) discussed orientation plans for the new Board members which are being coordinated by Mr. Crowe, as well as the mentoring program for those new members which is being handled by Mr. Gomez; (v) reviewed plans to conduct exit surveys with the 4 members of the Board whose terms end in November, and (vi) reviewed and recommended a revised Committee Charter to the full Board for approval as follows:

RESOLVED, that the proposed Nominating and Board Development Committee Charter as presented to this Board be, and the same is, hereby approved.

No second being necessary, and following comments from Mr. Glicksman regarding the value of regular Trustee evaluations, a vote was taken on the foregoing resolution, and said resolution was unanimously approved. This concluded Mr. Baker's report.

The Chair then called for the report of the Audit Committee. Mr. Frasier indicated that all of the members of the Committee were present at the meeting, and that they had: (i) reviewed the financial results of the company with both Mr. Schwieterman and the representatives of Deloitte and Touche; (ii) reviewed the scope, internal control and audit opinion letters offered by Deloitte; (iii) received assurances from the Deloitte representatives that they had experienced the full cooperation

of management during the audit and that they found no material conflicts of interest in reviewing the statements of the Trustees and vice-presidents; (iv) determined that no changes needed to be made to the Committee Charter, after review by staff and the Committee members; (v) excused management and held an executive session with the Deloitte representatives during which a suggestion was made to expand on the disclosure language in the conflict statements in future years, and (vi) recommended the following resolution for approval by the full Board:

RESOLVED, that the Deloitte & Touche audit report and internal control letter for the year ended June 30, 2004, be and the same are hereby accepted.

No second being necessary, a vote was taken on the foregoing resolution, and said resolution was unanimously approved. This concluded Mr. Frasier's report.

Mr. Jordan, Ms. Spies, Mr. Needham, Ms. DeRosa and Mr. Dempsey then presented an OCLC product update and answered a variety of inquiries from the Trustees.

There being no further business, the Chair then called for a break at 11:08 a.m., and subsequently called the Board into executive session at 11:18 a.m. Following that executive session, the Chair subsequently reconvened the meeting in regular session at 12:05 p.m. The Chair reported that six resolutions had been discussed and approved during the executive session. It should be noted for the record that each of these six resolutions had been considered and recommended by the Personnel and Compensation Committee, but that each resolution was changed slightly prior to being voted upon. Therefore, each of said resolutions were separately moved, seconded and 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 two resolutions regarding his compensation. Those resolutions read as follows:

**Special Incentive – 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 target percentages provided in the employment contract with the President and CEO, and after appropriate discussion and review by the full Board, the "Special Incentive" target

percentage for the FY2007 performance period for the President and CEO is hereby approved.

The “Special Incentive” threshold, target and maximum performance measures to be achieved as of June 30, 2007 and the weighting assigned to each for the President and CEO is deferred to the February 2005 Board meeting.

### **Long-Term Incentive Plan**

RESOLVED, That the Personnel and Compensation Committee of the Board of Trustees has completed their review and recommendations regarding the target percentages for the Long-Term Incentive Plan (“LTIP”), and after appropriate discussion and review by the full Board, the LTIP target percentages effective for FY 2007 for participants other than the President and CEO are hereby approved.

The LTIP threshold, target and maximum performance measures to be achieved as of June 30, 2007 and the weighting assigned to each for participants other than the President and CEO are deferred to the February 2005 Board meeting.

### **FY2004 MIP – CEO Incentive Compensation**

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:

Management Incentive awards to the President and Chief Executive Officer of this Corporation for the fiscal year 2003/2004 be and the same are hereby approved.

### **FY2004 MIP –VP Incentive Compensation**

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 Plan awards to the vice presidents of this Corporation for the fiscal year 2003/2004 be and the same are hereby approved as

presented, pursuant to the provisions of the Management Incentive Plan.

- (2) Management Incentive Plan awards to non-executive plan participants of the Corporation be and the same are hereby approved as determined by the President and Chief Executive Officer pursuant to the provisions of the Management Incentive Plan.
- (3) Management Incentive Plan awards to terminated participants be and the same are hereby approved as presented.

**FY2005 CEO MIP Performance Targets, Awards and Objectives**

RESOLVED, that the recommendation of the Personnel and Compensation Committee regarding the FY2004/2005 Management Incentive Plan performance targets, awards and objectives for Jay Jordan, the President and Chief Executive Officer of the Corporation, be and the same are hereby approved.

**FY2005 VP MIP Performance Targets, Awards and Objectives**

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

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

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/s/  
Lizabeth A. Wilson, Chair

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/s/  
James T. Houfek, Secretary

**OCLC BOARD OF TRUSTEES  
NOMINATING AND BOARD DEVELOPMENT COMMITTEE  
CHARTER**

In order to provide guidance to the Nominating and Board Development committee in fulfilling its responsibilities, the Board of Trustees (“Board”) of OCLC Online Computer Library Center, Inc. (“OCLC”), has adopted this Nominating and Board Development Committee Charter (Charter). The Nominating and Board Development Committee of the Board shall review and reassess this charter annually and recommend any proposed changes to the Board for approval.

Committee Role

The Nominating and Board Development Committee assists the Board in fulfilling its responsibility for maintaining continuity of Board membership and managing the internal affairs of the Board. The Committee also assists with other duties as may from time to time be assigned to it by the Board.

Committee Membership and Organization

The Nominating and Board Development Committee will consist of at least one (1) Board member (plus the Board Chair who is automatically an ex-officio member of all Committees), such final number and composition to be approved by the Board from time to time, as deemed appropriate. One member of the Committee shall be appointed by the full Board as Committee Chair. The Committee Chair shall be responsible for leadership of the Committee, including scheduling and presiding over meetings, preparing agendas and making regular reports to the Board.

The Committee shall meet a minimum of twice a year, with additional meetings scheduled as deemed necessary by the committee.

Committee Responsibilities

Though the Committee may consider additional duties from time to time, the general responsibilities of the Committee in carrying out its role are described as follows:

	Task to be completed	When Performed
1.	<b>The Nominating and Board Development Committee will meet its responsibilities for advising the Board on appropriate continuity of membership by taking the following actions:</b>	
1.a.	Regularly refreshing a pool of potential Trustee nominees.	As needed
1.b.	Identifying a slate of nominees as successors to the Trustee-elected members of the Board, in advance of the expiration of their respective terms of office.	April – even years
1.c.	Working with management or other Board members, as appropriate, to secure permission from the nominees to submit their names for election and confirm their willingness to serve if elected.	April – even years
1.d.	With each Trustee nomination recommendation, considering the mix of Trustee characteristics, experiences, diverse perspectives and skills that is appropriate to OCLC.	April – even years
1.e.	In considering continuing Trustee tenure, the Nominating and Board Development Committee works to ensure that the Board maintains openness to new ideas and a willingness to critically re-examine the status quo. The Nominating and Board Development Committee recognizes that endorsing a Trustee for re-nomination implies evaluation of individual Trustees. Re-nomination is neither to be expected nor guaranteed.	April – even years
1.f.	Presenting a slate of nominees as successors to the Trustee-elected members of the Board for consideration by the Trustee Members of OCLC.	November – even years

	Task to be completed	When Performed
<b>2.</b>	<b>The Nominating and Board Development Committee will meet its responsibilities for making annual recommendations for the organization of the Board by taking the following actions:</b>	
2.a.	Developing, and reviewing as necessary, a set of principles to guide the development and continuity of leadership for the Board.	As needed
2.b.	Recommending a slate of Board officers and Board committee assignments for Board action at each November Board meeting.	November
<b>3.</b>	<b>The Nominating and Board Development Committee will meet its responsibilities for review of Board performance and effectiveness by taking the following actions:</b>	
3.a.	Conducting an annual survey of Board members to assess Board effectiveness.	September
3.b.	Reporting annually to the Board on Board effectiveness.	September
3.c.	Consulting with the Board Chair for appropriate action if any Trustee's performance requires such consultation.	As needed
<b>4.</b>	<b>The Nominating and Board Development Committee will meet its responsibilities for Board development by taking the following actions:</b>	
4.a.	Establishing, monitoring, and reviewing the orientation procedures for new Board members.	As needed
4.b.	Recommending a Board member to be a mentor to each newly elected Board member for a period deemed appropriate.	As needed – even years
4.c.	Planning and evaluating the annual Board retreat, in cooperation with OCLC Management.	As needed
4.d.	Developing continuing education experiences for the Board.	As needed
4.e.	Monitoring maintenance, use and development of the Board website through a liaison relationship with designated OCLC staff members responsible for the website.	As needed
<b>5.</b>	<b>The Nominating and Board Development Committee will meet its responsibilities for review of Committee responsibilities by taking the following actions:</b>	
5.a.	Reviewing the Committee charter on an annual basis and recommending any proposed changes to the Board for approval.	September
5.b.	Reviewing and revising Committee procedures and guidelines on a regular basis.	As needed