

OCLC ONLINE COMPUTER LIBRARY CENTER, INC.  
Meeting of the Board of Trustees  
September 17, 2007

This meeting of the Board of Trustees of OCLC Online Computer Library Center, Inc., pursuant to the notice of the Secretary dated September 5, 2007, and in accordance with Article VII, Section I, of the Code of Regulations of OCLC Online Computer Library Center, Inc., convened at 8:37 a.m., local time, on September 17, 2007 at 6600 Kilgour Place, Dublin, OH, 43017. Ms. Wilson presided as Chair and Mr. Houfek kept the minutes of the meeting, except during the executive session, when Ms. Wilson kept the minutes.

Trustees present:

Larry Alford  
Edward W. Barry  
William J. Crowe  
Maggie Farrell  
Ralph K. Frasier  
Victoria Johnson  
Jay Jordan  
David P. Lauer  
Bruce Newell  
Elisabeth Niggemann  
David Roselle  
Jane N. Ryland  
Robert Seal  
Jerry Stephens  
Betsy Wilson

Trustees Absent:

None

Also, present for all or portions of the meeting:

Cathy De Rosa, Vice President, Marketing and Library Services  
Bruce Crocco, Vice President, Library Services for the Americas  
James T. Houfek, Vice President, General Counsel and Secretary  
Gary R. Houk, Vice President, Corporate Information Technology & Business Integration  
James Michalko, Vice President, RLG Programs Development  
George Needham, Vice President, Member Services  
Chip Nilges, Vice President, Business Development  
Rick J. Schwieterman, Executive Vice President, Chief Financial Officer  
Tammi N. Spayde, Vice President, Human Resources  
Michael Teets, Vice President, Global Product Architecture  
Andrew Wang, Vice President, OCLC Asia Pacific  
Greg Zick, Vice President, Digital Collection Services

To begin the meeting, Ms. Wilson asked if there were any changes to the meeting agenda and there being none, she requested a motion to approve the consent agenda

resolutions as found at Tab 2 of the Board materials, which consisted of the following resolutions:

**Resolution 1:**

**APPROVAL OF JUNE 11, 2007 MINUTES**

Upon motion duly made and seconded, the Board of Trustees unanimously approved the minutes.

**Resolution 2:**

**AUDIT REPORT**

RESOLVED, that the Deloitte & Touche audit report for the year ended June 30, 2007, be and the same is hereby accepted.

**Resolution 3:**

**AMENDED INVESTMENT POLICY**

RESOLVED, that following review by both the Finance Committee and the Board, the recommendation of the Finance Committee regarding the proposed amendment to the Investment Policy for the Long-Term Portfolio, be and it hereby is approved.

**Resolution 4:**

**REVISED 2008-2010 COP**

RESOLVED, that following review by both the Finance Committee and the Board, the recommendation of the Finance Committee regarding the proposed revision to the FY2007-2008 COP, be and it hereby is approved.

There being no further discussion, and upon motion duly made and seconded, the Board of Trustees unanimously approved the consent agenda resolutions.

Ms. Wilson then referred the Trustees to Tab 3 of the Board materials for the Chair's report. Ms. Wilson noted that she wanted to encourage all Board members to attend the October meeting of the Members Council if at all possible. Also, she noted that Mr. Frasier was celebrating a birthday this weekend, and she thanked him for making himself available for the Board meeting.

Ms. Wilson then indicated that the Executive Committee of the Board met on September 16, 2007 and had: (i) reviewed the schedule and plans for the 2007 November Board retreat to be held on November 10<sup>th</sup>, 11<sup>th</sup> and 12<sup>th</sup> including a dinner on November 10<sup>th</sup> at the Columbus Museum of Art, (ii) agreed to invite the President and Vice-President of Members

Council to the Board meeting on November 12<sup>th</sup> in order to facilitate additional discourse between the Trustees and the Members Council, (iii) discussed plans for the June, 2008 Board meeting to be held in Charleston, South Carolina, and (iv) reviewed the current status of the Governance Committee work. There being no additional comments, Ms. Wilson's report concluded.

The Chair then called for the President's report. Mr. Jordan asked that the Board look to his written report for details, a copy of which could be found at Tab 4 of the Board materials, and then called their attention to the following specific items: (i) a copy of an executive summary of the new privacy report to the OCLC membership which will be released on September 30, 2007 is attached to the President's report for review by the Trustees, (ii) Mr. Jordan, Mr. Needham, Mr. Dempsey and Ms. De Rosa recently completed a visit to the west coast in order to update library leaders in that area about the future plans of OCLC, (iii) Ms. De Rosa and staff met with the Gates Foundation regarding funding for a new library initiative which would assist libraries in obtaining and sustaining funding, (iv) copies of the distribution study that has been undertaken by OCLC management will be sent out on September 19<sup>th</sup>, 2007, and senior management will meet with RONDAC representatives regarding same on September 26<sup>th</sup> 2007, and (v) Mr. Jordan will be traveling to the Michigan Library Consortium later in the week for a general discussion on OCLC's future directions. That concluded Mr. Jordan's report. A short discussion followed. Ms. Johnson asked Mr. Jordan to advise the Board of the outcome of the RONDAC meeting on September 26<sup>th</sup>, and he indicated he would do so. Ms. Farrell inquired about the status of the copyright registry work, and Mr. Nilges updated the Board on the current status of the project. Ms. Niggemann asked that strong consideration be given to making the copyright registry project available to the European community as soon as possible. Mr. Jordan then added a comment about the successful opening of OCLC's China office in Beijing, which he hoped would be the catalyst for important new initiatives in the future.

Ms. Wilson then called on Ms. Johnson for her report from the Joint Committee on Membership. Ms. Johnson related that the Committee met and had: (i) discussed the upcoming results of the Board's governance study and the potential ramifications for the Committee as a result thereof, (ii) determined that the two open "designated delegates" positions should remain so until the results of the governance study are made available for consideration, and (iii) determined

that 17 of the current Members Council delegates are from outside the United States. This concluded Ms. Johnson's report on behalf of the Committee.

The Chair then called for the report of the Nominating and Board Development Committee. Ms. Niggemann reported that the Committee met and had: (i) continued its discussion regarding proposed nominations for new Board members, and asked that all of the Trustees continue to submit names of appropriate candidates for consideration by the Committee, (ii) acknowledged the excellent work of Mr. Newell and Ms. Ryan in continuing improvement to the Board's website, and (iii) discussed a proposed resolution for the November Board meeting regarding the Officers of the Board and the Committee assignments for the next Board year, which would be further discussed during the executive session later today. That concluded Ms. Niggemann's report.

The Chair then called for the report of the Audit Committee. Mr. Seal indicated that the Committee met and had: (i) reviewed the year-end audit statement, as well as the FY 2006-2007 audit and management letters, (ii) noted that the audit letter was an unqualified opinion, (iii) reviewed new accounting standards with the auditors which will apply to benefit plans and how OCLC reports medical benefits in the future, (iv) discussed the existence of one internal control weakness and the fact that it has already been corrected by management, (v) reviewed and recommended the audit resolution that was voted on in earlier as a part of the consent agenda, (vi) discussed the conflict of interest form and procedure and identified some changes that will be initiated by Mr. Schwieterman and Mr. Houfek in order to make the process more uniform, and (vii) conducted a discussion with the Delloite audit team without any OCLC employees present so that confidential matters could be discussed, noting that there were no matters of significance resulting from those discussions. This concluded Mr. Seal's report.

The Chair then called for the report of the RLG Committee. Ms. Ryland reported on behalf of Mr. Neal that the Committee met and had: (i) discussed and reviewed the Committee Charter and potential changes for the next meeting, (ii) discussed the re-population of the Committee for next July, (iii) noted that the Committee felt that the transition of RLG products and services into OCLC was "stunningly smooth", (iv) reviewed the budget for FY 2007 and noted that not all funds scheduled to be directed to research projects had been spent, and that these would

be carried over into FY 2008, (v) discussed the addition of six new and twelve prospective RLG Partner organizations, (vi) discussed the program works agenda, and (vii) verified that the Committee has certified that OCLC has met its budget and financial obligations under the existing agreements between the respective organizations. That concluded Ms. Ryland's report.

The Chair then called for the report of the Personnel and Compensation Committee. Ms. Johnson reported that the Committee met with all members present and had: (i) reviewed salary, incentive plan and metric measurements for officers and participants, (ii) reviewed and approved the CEO's compensation and (iii) reviewed and approved twelve resolutions which will be further discussed during the Board's executive session later today. Ms. Johnson then extended her personal thanks for the work completed by Ms. Spayde and Mr. Schwieterman, as well as applauding the efforts of the other Committee members. That concluded Ms. Johnson's report.

The Chair then called for the report of the Finance Committee. Mr. Barry indicated that the Committee met with all members present, with Ms. Johnson and Mr. Seal in attendance as well, and had: (i) noted that the overall focus of the meeting was regarding strategic investments, (ii) received an update and report on the highlights of the financial information for FY 2007 from Mr. Schwieterman, (iii) reviewed and discussed the FY 2008-2010 Corporate Operating Plan ("COP"), the revised FY 2008 COP, the results and awards for the FY 2007 Management Incentive Plan ("MIP") and the Long Term Incentive Plan ("LTIP"), and the FY 2010 LTIP targets, and (iv) discussed OCLC's future investment plan with the Merrill Lynch representative, resulting in a subsequent revision of the investment parameters. Mr. Barry then expressed the Committee's enthusiasm for the direction senior management was taking the company in the future. That concluded Mr. Barry's report. Mr. Jordan and Mr. Teets then discoursed regarding funding and needs for future projects, indicating that while capital might be available, the more significant challenge was engaging the right people on the right teams and tracks.

The Chair then called for a break at 9:35 a.m.

The Chair then reconvened the meeting at 10:05 a.m., at which time Mr. Needham, Ms. Marilyn Mason and Mr. Clayton Wood presented an update on the WebJunction program.

Following the above presentations, the Chair then called for a break at 11:07 a.m.

The meeting was reconvened at 11:20 a.m. in executive session.

During the executive session, the following resolutions were discussed, moved and seconded, and upon separate vote for each, were unanimously approved:

**Resolution 1:**

**RICK J. SCHWIETERMAN & BRUCE A. CROCCO, JR.**

RESOLVED, That the President's appointment of Rick J. Schwieterman as Executive Vice President and Chief Financial Officer and his base salary and incentive compensation and other compensation as defined by the CEO and approved by the Board be approved effective August 1, 2007.

FURTHER RESOLVED, That the President's appointment of Bruce A. Crocco, Jr. as Vice President, Library Services for the Americas, and his base salary and incentive compensation be approved effective August 1, 2007.

**Resolution 2:**

**VP BASE SALARY**

RESOLVED, that following the review by both the Personnel & Compensation Committee and the Board in Executive Session, the recommendations of the Personnel and Compensation Committee regarding base salary for each vice president of the Corporation, effective July 1, 2007 be and the same hereby are approved as presented.

**Resolution 3:**

**FY-2006-FY2009 LONG-TERM INCENTIVE PLAN**

WHEREAS, the Corporation has completed an internal audit of the Long-Term Incentive Plan non-financial metrics for FY2006; and

WHEREAS, as a result of said audit the actual Service Demand (Participants count) metric for FY2006 was reset

NOW THEREFORE, upon appropriate review by the Personnel and Compensation Committee, the following action is recommended:

RESOLVED, that as a result of the actual Service Demand (Participants count) metric being reset for FY2006, the target level for the metric for FY2007, be adjusted as recommended and approved by the Personnel and Compensation Committee.

FURTHER RESOLVED, that following review by both the Personnel & Compensation Committee and the Board, the recommendations of the Personnel and Compensation Committee regarding a FY2007 Long-Term Incentive Plan award to each vice president as presented be approved.

**Resolution 4:****LTIP METRICS FY2008-FY-2010**

RESOLVED, that the Personnel and Compensation Committee of the Board of Trustees has completed their review and recommendations regarding the FY2008, FY2009 and FY2010 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 threshold, target and maximum performance measures to be achieved as of June 30, 2008, June 30, 2009, June 30, 2010 and the weighting assigned for each participant.

**Resolution 5:****MANAGEMENT INCENTIVE PLAN**

RESOLVED, that the amended and restated Management Incentive Plan as presented to the Personnel & Compensation Committee be and the same hereby is approved. The Executive Vice President and Chief Financial Officer and/or Vice President, General Counsel of the corporation are each hereby authorized to enter into such agreements as are necessary to give effect to the Amended and Restated Plan.

**Resolution 6:****FY2007 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:

Management Incentive Plan awards to each vice president of this Corporation for the fiscal year 2006/2007 be and the same are hereby approved as presented, pursuant to the provisions of the Management Incentive Plan.

**Resolution 7:****FY2008 MIP CORPORATE PERFORMANCE TARGETS**

RESOLVED, that the recommendation of the Personnel and Compensation Committee regarding the FY2007/2008 Management Incentive Plan performance objectives for each vice president of the Corporation as presented in executive session be and the same is hereby approved.

Following approval of the above resolutions, Mr. Jordan was excused and the remaining Trustees moved, seconded and upon separate vote for each, unanimously approved the following resolutions:

**Resolution 1:**

**ROBERT L. JORDAN AMENDMENT**

RESOLVED, that after previous review and discussion, the Fourth Amendment to the Employment Agreement between OCLC and Robert L. Jordan is hereby approved.

**Resolution 2:**

**FY2007 CEO INCENTIVE COMPENSATION AWARD**

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 the Incentive Plan award as presented in executive session be approved and the allocation of said funds be directed as follows:

The Incentive Plan award to the President and Chief Executive Officer of this Corporation for the fiscal year 2006/2007 as presented in executive session be and the same are hereby approved.

**Resolution 3:**

**FY2007 SPECIAL INCENTIVE AWARD PRESIDENT & CEO**

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 the FY2007 Special Incentive award to the President and CEO as presented in executive session be approved.

**Resolution 4:**

**FY2008 – FY2010 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 Plan target percentage for the FY2008, FY2009, and FY2010 performance period for the President and CEO as presented in executive session be approved.

The Special Incentive threshold, target and maximum performance measures to be achieved as of June 30, 2008, June 30, 2009 and June 30, 2010 and the weighting assigned to the President and CEO are also hereby approved

**Resolution 5:**

**FY2007/2008 CEO INCENTIVE COMPENSATION CORPORATE PERFORMANCE TARGETS**

RESOLVED, that the recommendation of the Personnel and Compensation Committee regarding the FY2007/2008 Incentive Plan performance objectives for the President and Chief Executive Officer of the Corporation, as presented in executive session be and the same is hereby approved

