

OCLC ONLINE COMPUTER LIBRARY CENTER, INC.
Meeting of the Board of Trustees
February 10, 2008

This meeting of the Board of Trustees of OCLC Online Computer Library Center, Inc., pursuant to the notice of the Secretary dated January 29, 2008, and in accordance with Article VII, Section I, of the Code of Regulations of OCLC Online Computer Library Center, Inc., convened at 8:15 a.m., local time, on February 10, 2008 at Columbus Marriott Northwest Hotel, 5606 Blazer Parkway, Dublin, OH, 43017. Mr. Alford presided as Chair and Mr. Houfek kept the minutes of the meeting, except during the executive session.

Trustees present:

Larry Alford
Edward W. Barry
William J. Crowe
Maggie Farrell
Ralph K. Frasier (Conference Telephone)
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:

Bruce Crocco, Vice President, Library Services for the Americas
Cathy De Rosa, Vice President, Marketing and Library Services
Lorcan Dempsey, Vice President, Programs and Research and Chief Strategist
Dana Houston, Manager, Corporate Inclusion
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
Robin Murray, Vice President, Global Product Management
Jim Neal, Chair of the RLG Committee
George Needham, Vice President, Member Services
William 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
Rein van Charldorp, Managing Director, OCLC PICA
Andrew Wang, Vice President, OCLC Asia Pacific

To begin the meeting, Mr. Alford called the meeting to order, and then noted that the agenda had changed to allow Mr. Neal to present his report first.

Mr. Neal then reported on behalf of the RLG Committee, and indicated that the Committee had met and: (i) considered methods to expand the efforts of OCLC Research to a wider cultural community beyond research libraries in the areas of preservation, standards and best practices, (ii) reviewed budget and performance criteria and found OCLC to be in compliance with its contractual obligations as stated in the RLG agreement, (iii) discussed the upcoming meeting of the RLG Program Council scheduled for New York City in March, 2008, (iv) considered changes to the election method to be applied to future RLG Committee representatives under the RLG agreement, such changes to be effective in July, 2008, and (v) proposed amendments to the Committee Charter, resulting in the following resolution recommendation as found at tab 7 of the Board materials:

RESOLVED, that the proposed RLG Committee Charter as presented to this Board be, and the same is, hereby approved.
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There being no further discussion, the above resolution was moved, seconded and unanimously approved by the Trustees. This concluded the RLG Committee report.

Mr. Alford then inquired as to any other changes to the proposed agenda and there being none, he indicated that no motion would be made at this time to approve the minutes of the annual meeting of the Board of Trustees held on November 12, 2007 due to a typographical error recently discovered therein. Approval of those minutes would be deferred to the April, 2008 Board meeting.

Mr. Alford then submitted his Chair's report, expressing his gratitude for being elected to the position of Chair, and extended his thanks to Ms. Wilson for her service as Chair over the last four years, as well as her support and counsel during the transition. That concluded the Chair's report.

Mr. Alford then indicated that the Executive Committee of the Board had met and: (i) received a letter of resignation from Mr. Crowe relinquishing his position on the Board, to be effective at the conclusion of the November, 2008 Board meeting, regarding which Mr. Alford expressed the Committee's sincere thanks to Mr. Crowe for his sixteen years of devoted service to the Corporation and to the Board, (ii) reviewed governance issues that would be further discussed during the executive session to be held later in this meeting, and (iii) considered and recommended the following resolution to the full Board for approval:

Whereas William J. Crowe chaired the OCLC Governance Study Committee;

Whereas the work of Mr. Crowe and the other committee members will make a difference to libraries around the world for many years to come and will serve to strengthen the OCLC collaborative as it moves forward;

Whereas the OCLC Board of Trustees is deeply grateful to Mr. Crowe for his leadership of this committee and for the many hours of effort he put into the study including drafting the study report;

Whereas the Executive Committee of the Board of Trustees unanimously authorized on December 13, 2007 a donation of \$3000 in honor of William J. Crowe for his work as chair of the Governance Study Committee and in memory of his late wife, Nancy Sanders, to the University of Kansas for the R. W. and Dorothy Sanders Fund;

Be it resolved that the OCLC Board of Trustees thanks Mr. Crowe for his work chairing the OCLC Governance Study Committee and thanks the other committee members for their work to strengthen the OCLC collaborative and confirms the action of the Executive Committee.

There being no further discussion, and no second being necessary, the above resolution was moved and unanimously approved by the Trustees, with Mr. Crowe abstaining.

Mr. Alford then continued with the Committee report by indicating that the Committee had also: (i) discussed the June, 2008 Board meeting which will be held in Charleston, SC, (ii) reviewed and recommended proposed dates for the 2009 Board meetings for consideration by the Trustees, and (iii) reviewed and recommended the following resolution for approval by the full Board:

WHEREAS, in addition to the seven standing Committees of the Board, there is occasional reason to create “informal” committees tasked with performing or overseeing certain specific, generally “one time” duties; and

WHEREAS, depending on the nature and time requirements of these tasks, Trustee members participating on these committees may be awarded remuneration by the Board that is in addition to the compensation received for their service on the Board or as a member of a standing Committee; and

WHEREAS, the question has been raised as to whether participation on these informal committees and/or the receipt of these additional amounts of remuneration are permitted under the various standing Committee Charters, now therefore let it be,

RESOLVED, that all standing Committee Charters are hereby amended, wherever inconsistent, to allow such participation and remuneration as may be determined by the Board from time to time, and such amendment shall be considered retroactive to the beginning of the existence of each standing Committee of the Board.

There being no further discussion, and no second being necessary, the above resolution was moved and unanimously approved by the Trustees. That concluded Mr. Alford’s report.

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) recent hires include Ms. Cindy Cunningham and Mr. Andrew Pace, both of whom come to OCLC with excellent industry credentials, (ii) the acquisition of certain assets of Useful Utilities, Inc has been completed and announced at the recent ALA meeting, (iii) Mr. Jordan's recent trips to Asia and Australia were fruitful and served to further build relationships with Waseda University and Kinokuniya, (iv) work continues in conjunction with the Gates Foundation, and (v) efforts are ongoing with the Networks in resolving future distribution models, now scheduled for a July, 2009 roll-out. A discussion followed as to the current status of WorldCat Local. That concluded Mr. Jordan's report. Mr. Alford thanked Ms. De Rosa on her work with the Gates Foundation and her efforts towards resolving the distribution channel issues.

The Chair then called for the report of the Joint Committee on Membership. Mr. Stephens reported that the Committee was scheduled to meet on Tuesday February 12, 2008 to further consider alternate delegates to Members Council who had received a one year extension that was ending in June of 2008. That completed Mr. Stephens report.

The Chair then called for the report of the Audit Committee. Mr. Seal indicated that the Committee met with all members present and : (i) reviewed the annual audit engagement letter with representatives of Deloitte & Touche, (ii) noted that the audit engagement was for the U.S. only, with other operations being the subject of additional engagement letters as appropriate, and (iii) reviewed and recommended the following resolution (which could be found at Tab 5 of the Board materials) for full Board approval:

RESOLVED, That Deloitte & Touche be engaged to perform the annual audit of the Corporation for the year ending June 30, 2008.

There being no further discussion, and no second being necessary, the above resolution was moved and unanimously approved by the Trustees.

Mr. Seal then continued with the Committee report by indicating that the Committee had also: (i) discussed the need for all Trustees to be inclusive in filling out their Conflict of Interest forms as to their involvement in other activities as specified in the form, (ii) reviewed recent accounting standards changes and found no significant effect on OCLC's activities, (iii) determined that no changes would be necessary to the Committee Charter at this time, (iv) discussed the possibility of conducting a full RFP process in 2009 for a firm to perform future audit work, (v) discussed the April meeting and the presentation by KPMG at that meeting as to internal

risk assessments and recommendations, and (vi) thanked Mr. Schwieterman and his staff for their continuing aid and assistance in preparing for and conducting the Committee meetings. That concluded Mr. Seal'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: (i) reviewed the Committee Charter and made some amendments thereto, which resulted in the following recommended resolution (which could be found at Tab 6 of the Board materials) for full Board consideration:

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

There being no further discussion, and no second being necessary, the above resolution was moved and unanimously approved by the Trustees.

Ms. Johnson then continued with the Committee report by indicating that the Committee had also: (i) conducted a brief review of the current status of the MIP and LTIP programs, (ii) reviewed the 2007 Employee Opinion Survey results, including that 83% of the areas responded to were above the national norms for those issues, and (iii) discussed the newly deployed Human Resources system that would allow the tracking of changes made in response to the negative areas of return for the survey. That concluded Ms. Johnson's report.

The Chair then called for the report of the Nominating and Board Development Committee. Ms. Wilson reported that the Committee met yesterday with all members present and: (i) reviewed the latest enhancements to the Board website which would be demonstrated for the full Board at the April 2008 meeting, (ii) discussed expanding the information available on the public corporate website as to each Trustee, (iii) reviewed the current state of the Trustee orientation program, (iv) reviewed the results of a survey on the success of the November 2007 Board retreat, including a discussion on preliminary plans for the 2008 retreat, and (v) discussed possible changes to the Board terms with consideration being given to the ongoing governance activities and recommendations. That concluded Ms. Wilson's report.

The Chair then called for the report of the Finance Committee. Mr. Barry reported that the Committee had met with all members present and: (i) heard various corporate business update reports from Mr. Murray, Mr. Schwieterman and Ms. De Rosa, (ii) reviewed the FY2008 portfolio performance and YTD operating figures which, while reflecting a revenue shortfall, were also 5% above last year at this time, and (iii) reflected on how speed of execution and need to appropriately invest resources was clearly critical to the future success of OCLC. This concluded

Mr. Barry's report. A general discussion followed with Mr. Murray, Ms. De Rosa and Mr. Nilges providing additional information on various sectors of OCLC's operations.

The Chair then called for a break at 9:55 a.m.

The meeting was reconvened at 10:20 a.m., and began with a presentation by Ms. Spayde and Ms. Huston on the present state of the corporate inclusion program. Following some discussion, Mr. Nilges made a presentation on the results of the November 2007 Board retreat.

The Chair then called for a break at 11:28 a.m. and reconvened an executive session at 11:35 a.m.

During the executive session, the following resolution was discussed, moved and seconded, and was unanimously approved:

GOVERNANCE TRANSITION COMMITTEE

RESOLVED, that

WHEREAS, the OCLC governance structure adopted in 1977, last revised in 2000, provides libraries and other cultural heritage institutions means for them to elect members of the Board of Trustees; and

WHEREAS, today, more than 57,000 libraries and other cultural heritage institutions in 112 countries and territories contribute to and use one or more of the products and services offered by OCLC, and

WHEREAS, OCLC's chartered public purpose is

. . . to promote the evolution of library use, of libraries themselves, and of librarianship, and to provide processes and products for the benefit of library users and libraries, including such objectives as increasing availability of library resources to individual library patrons and reducing rate of rise of library per-unit costs, all for the fundamental public purpose of furthering ease of access to and use of the ever expanding body of worldwide scientific, literary and educational knowledge and information.

and

WHEREAS, the OCLC Board of Trustees, consistent with the recommendations of the Advisory Council that were made in December 2000, commissioned a review of OCLC's governance to ensure that OCLC can successfully meet current and emerging needs of libraries and other cultural heritage organizations across the world, and

WHEREAS, that study has been completed and reviewed by both the ad hoc Board Governance Committee, as well as the full Board, whose recommendations have subsequently been forwarded to Members Council for comment and discussion at their February 2008 meeting, and

WHEREAS, it will be necessary to review those comments from Members Council and to propose modifications to the various governance documents of the Company to effectuate a transition to whatever new corporate structure is determined to be appropriate.

NOW, THEREFORE, be it resolved that the OCLC Board of Trustees hereby establishes an ad hoc “Governance Transition Committee”, consisting of Ms. Farrell (Chair), Ms. Wilson, Mr. Roselle and Mr. Stephens, and such Committee shall be charged as follows:

1. To review the concerns of Members Council and such further input as might be furnished by the full Board, and to also take into appropriate consideration the average overall experience and length of service/tenure issues resulting from any such changes to the governance documents and/or corporate governance structure in order to develop a transition plan to any new corporate structure.
2. Work with staff as appropriate (e.g. the corporate General Counsel and Members Council liaison) and with the Members Council President and Executive Committee to take all steps necessary to effect such transition, including necessary modifications to the OCLC’s governance documents as appropriate, with the goal of being prepared to present the results thereof to the Executive Committee of the Board on or before the April 2008 meeting of the OCLC Board of Trustees.

There being no further business to come before the meeting, upon motion duly made and seconded, the meeting was adjourned at approximately 12:30 p.m.

Larry Alford, Chair

James T. Houfek, Secretary