

OCLC ONLINE COMPUTER LIBRARY CENTER, INC.
Meeting of the Board of Trustees
February 4, 2013

This special meeting of the Board of Trustees of OCLC Online Computer Library Center, Inc., pursuant to the notice of the Secretary dated January 25, 2013, 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 February 4, 2013, at OCLC, 6600 Kilgour Place, Dublin, OH. 43017. Ms. Yee presided as Chair and Mr. Houfek kept the minutes of the meeting, except during the executive sessions, when Mr. Alford kept the minutes.

Trustees Present:

Larry Alford
Edward W. Barry
Maggie Farrell
Tony Ferguson
Cindy Hilsheimer
Kathleen Imhoff
Jay Jordan
Barbara Lison
Bernadette Gray-Little (Via Conference Telephone)
James Neal
Loretta Parham
John Patrick
David Roselle
Brian Schottlaender
Sandra Yee
Jennifer Younger

Trustees Absent:

None

Also, present for all or portions of the meeting:

Lorcan Dempsey, Vice President, Research & Chief Strategist
Cathy De Rosa, Vice President for the Americas & Global VP of Marketing
Matt Goldner, Product & Technology Advocate
James T. Houfek, Vice President, General Counsel and Secretary
Jim Michalko, Vice President, OCLC Research Library Partnership
Robin Murray, Vice President, Global Product Management
George Needham, Vice President, Global & Regional Councils
Chip Nilges, Vice President, Business Development
Gene Oliver, Vice President, Global Systems and Information Technology
Julie Presas, Assistant General Counsel
Rick J. Schwieterman, Executive Vice President, Chief Financial Officer
Tammi N. Spayde, Vice President, Corporate Human Resources
Mike Teets, Vice President, Innovation
Andrew Wang, Vice President, Asia Pacific
Greg Zick, Vice President, Global Engineering

Ms. Yee called the meeting to order, and inquired whether there were any changes to the proposed agenda, and there being none, the Chair moved for approval of the consent agenda, which motion was moved, seconded and unanimously approved. The consent agenda contained the minutes of the November 5, 2012 Board of Trustees Annual and Special meetings, and the following two resolutions:

RESOLUTION

RESOLVED, that the proposed Personnel and Compensation Committee Charter as presented to this Board be, and the same is, hereby approved (copy attached as Appendix A).

RESOLUTION

RESOLVED, that Deloitte & Touche be engaged to perform the annual audit of the Corporation for the year ending June 30, 2013.

Mr. Goldner then delivered a presentation on “Re-Integrating the Library: An Update on WorldShare Management Services.” Some informal discussion followed.

Ms. Yee requested the President’s report. Mr. Jordan referred the Trustees to his written report in the Board materials, and then he: (i) discussed the intended incremental investment being directed towards the faster implementation of Worldshare Mangement Services (“WMS”) during the coming year; (ii) indicated that there would be over 100 live WMS installations by the end of March; (iii) suggested that it was his intent at the recent Board Retreat to display some of the management talent underneath the first layer usually seen by the Board, and that he intended to continue with that theme; (iv) indicated that Ms. De Rosa and her team had recently succeeded in obtaining a grant from the Paul Allen Foundation in Washington State; (v) stated that several new contracts have been signed including Gale, ProQuest and Family Search; (vii) indicated that reviews have shown that the Global Council grass roots engagement through the regional councils is becoming more and more effective, but that more work needs to be done in that area, and (viii) stated that issues surrounding membership and pricing continue to be at the forefront of OCLC’s concerns. This concluded Mr. Jordan’s report.

The Chair then called the meeting into Executive Session at 9:25 a.m., with SLT being asked to remain for the session.

At 9:43 a.m., the Board concluded its Executive Session, indicating that the following resolution was moved, seconded and unanimously approved by the Board during the executive session:

RESOLUTION

RESOLVED, that the Chair be fully authorized to enter into and approve any proposed settlement which might be reached in the current Godfrey/Lyrisis litigation now pending in Federal Court in Connecticut.

The Chair returned the meeting to regular session, after which Ms. Yee called for a recess.

At 10:04 a.m. the meeting was reconvened. Ms. Yee delivered the Chair's report, and indicated that: (i) the recent America's Regional Council meeting was productive; (ii) she will be attending the upcoming EMEA Regional Council meeting; (iii) congratulations were due Ms. Hilsheimer for her recent recognition as the YWCA's Woman of the Year, and (iv) OCLC staff and management were to be congratulated for the recently achieved Security & Risk Management Award from CSO Magazine. That concluded the Chair's report.

Ms. Farrell then offered the Board's congratulations to Mr. Neal for his recent appointment to the American Library Association Executive Board.

Ms. Yee indicated that the Executive Committee had met, considered locations for the June 2014 Board meeting, and the decision was made to accept Mr. Alford's invitation to hold it in Toronto. The Committee also proposed dates for the 2014 Board meetings for review and comment by the Trustees.

Ms. Yee asked for the report of the Audit Committee. Ms. Hilsheimer said that the Committee met and had: (i) reviewed corporate financial performance with Mr. Michael Fritz from Deloitte, including several accounting rule changes, none of which had any significant effect on OCLC; (ii) reviewed the engagement letter for Deloitte to perform the annual audit of the corporation for the year ending June 30, 2013 (note: this resolution was already approved by the Board as a part of the Consent Agenda above); (iii) reviewed the conflict of interest forms for both the Board members, as well as senior management, and no significant issues were found, and

(iv) reviewed the results of the internal audit with Mr. Shane Escaro in executive session. That concluded Ms. Hilsheimer's report.

Ms. Yee called for the Personnel and Compensation Committee report. Mr. Neal reported that the Committee met, and had: (i) received a report from Ms. Spayde on the history and process involved for the various executive compensation vehicles utilized by OCLC; (ii) reviewed forecasts for the probable FY 2013 MIP and LTIP program payouts from Mr. Schwieterman and Ms. Spayde, and (iii) amended the Committee Charter as presented and approved in the Consent Agenda earlier in the meeting. This concluded Mr. Neal's report.

Ms. Yee requested the report of the Board Governance Committee. Mr. Alford indicated that the Committee had met with all present, and had reviewed and recommended a resolution proposed by the Finance Committee regarding the creation of a new ad hoc Committee as follows:

**RESOLUTION
(Committee on Cost Share & Pricing Models)**

WHEREAS, the Board Governance Committee recommends the establishment of a new ad hoc Committee pursuant to Article IX of By-Laws of the corporation,

NOW THEREFORE BE IT

RESOLVED, that the Board of Trustees authorizes the creation of an ad hoc Committee, which shall be known as the Committee on Cost Share & Pricing Models with the specific charge of advising management in the development of pricing models and transition strategies; and be it

FURTHER RESOLVED, that the Board of Trustees further authorizes the Board Chair, at her discretion, to appoint Trustees to serve as committee members.

The Committee and its members shall serve at the pleasure of the Board, and shall continue such charge until modified or terminated by further resolution of the Board.

Needing no second, the above resolution was submitted to a vote, and was unanimously approved. Mr. Alford then continued with his report, indicating that the Committee had: (i) continued its review of potential new Trustees, with all current Board members being encouraged to bring forth appropriate suggestions of same to the Committee at anytime; (ii) discussed

Committee assignments, which are normally changed every 2 years; (iii) discussed the need to review the corporate Code of Regulations as agreed when the Code was amended five years ago; (iv) reviewed the very positive feedback from the recent Board retreat; (v) reviewed the exit survey information from the three recently retired Trustees, which will be presented to the full Board at the April meeting; (vi) reviewed the annual Board assessment surveys and found the ratings to be consistently high over the past years, and (vii) discussed the new Board website, for which the Committee wished to thank Ms. Ryan, as well as Ms. De Rosa and her team. That concluded the Board Governance Committee report. Ms. Yee stated that she had asked Mr. Alford to Chair the Cost Share & Pricing Models Committee, and that he had agreed to do so.

Ms. Yee then asked for the Finance Committee report. Mr. Patrick indicated that the Committee met with all members and several guests present, and that the Committee had: (i) reviewed the OCLC calendar year-end financial results, along with the forecast for the rest of FY13; (ii) reviewed the implementation of strategy fund usage in order to accelerate the deployment of WorldShare Management Services; (iii) reviewed the recent changes to the investment portfolio advisor as recommended by Mr. Schwieterman and his risk evaluation team; (iv) reviewed and recommended for approval by the full Board the following resolution:

RESOLUTION

RESOLVED, That the Corporation be and it hereby is authorized, subject to acceptable market conditions as it may deem appropriate, to enter into arrangements with the County of Franklin, Ohio (the "County") or the Columbus-Franklin County Finance Authority (the "Authority") and, as necessary, other appropriate parties, for the purpose of financing, with the proceeds of revenue bonds of the County or the Authority and/or other forms of new debt deemed appropriate by the Corporation in an aggregate principal amount not to exceed Six Million Two Hundred Thousand Dollars (\$6,200,000) (collectively, the "Debt"), (i) the refunding of all or any portion of the outstanding County of Franklin Revenue Bonds, Series 2003 (OCLC Online Computer Library Center, Inc. Project), including payment of any premiums due thereon, and (ii) the costs of the transaction; and

FURTHER RESOLVED, That the President, the Executive Vice President, Chief Financial Officer and Treasurer and the Vice President, General Counsel and Secretary of this Corporation be and each of them, acting singly, are hereby authorized, on behalf of the Corporation, to execute and deliver the appropriate and necessary documents, including a Loan Agreement or Lease with the County or the Authority, as appropriate, and a Financing Agreement with a lender or purchaser of the Debt, each in such form as shall be

approved by the officer executing the same, and the issuance, execution and delivery of any such documents by such officer shall be conclusive evidence of the approval thereof by the officer executing the same; and

FURTHER RESOLVED, That the aforesaid officers be and each of them, acting singly, are hereby authorized, on behalf of the Corporation, (i) to approve and execute the preliminary and final Official Statement (if any) relating to the offering and sale of the Debt, and to approve the distribution and use thereof in connection with the sale of the Debt, (ii) to approve the terms and conditions applicable to the Debt, (iii) to approve the maturity schedule of, and the interest rate or rates to be borne by, the Debt, (iv) to approve the purchase price of the Debt (if any), and to approve any other matters, and execute and deliver any other certificates or instruments, required in connection with the issuance, sale and/or incurrence of the Debt, such approvals to be conclusively evidenced by the execution and delivery of the documents, certificates and instruments so executed and delivered; and

FURTHER RESOLVED, That the President, the Executive Vice President, Chief Financial Officer and Treasurer and the Vice President, General Counsel and Secretary of this Corporation, and each of them, acting singly, are hereby authorized and directed to take any and all action, on behalf of the Corporation, necessary or proper for the Corporation to carry out, perform, give effect to, consummate and perform the terms of and the transactions contemplated by the above Resolution.

FURTHER RESOLVED, That approval for additional financing has been previously given in the Tax Exempt Financing Resolution approved by this Board on June 8, 2009, and that Tax Exempt Financing Resolution and the purposes for the financing stated therein are hereby ratified and reaffirmed, and this Board action shall constitute a Declaration of Official Intent for purposes of Sections 103 and 141 to 150 of the Internal Revenue Code of 1986, as amended.

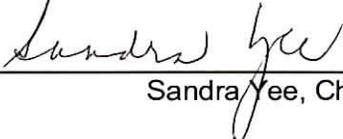
Needing no second, and with no further discussion, the above resolution was unanimously approved. Mr. Patrick indicated that the Committee had also recommended a new ad hoc Committee on pricing and membership, which resolution had already been approved by the Board during the Board Governance Committee report. That concluded Mr. Patrick's report.

Ms. Yee asked for the report of the Committee on Technology Planning. Mr. Schottlaender indicated that the Committee met with all members present and with Mr. Ferguson and Mr. Michalko present as guests, and that the Committee had: (i) discussed and reviewed the current status of the WMS product; (ii) received a WorldShare ILL update; (iii) received a global data center update from Mr. Oliver including a review of the "hub & spoke" architecture and the capability of the cloud solution in the future, with an estimate that the majority of OCLC's functions

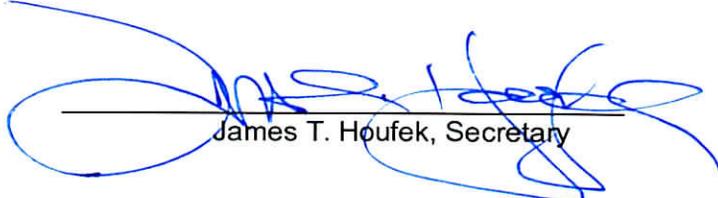
will be in the cloud within the next two to three years; (iv) received an update report from Ms. Katie Birch on the WorldShare platform; (v) received an update report from Mr. Andrew Pace on the plan to accelerate WMS development and rollout; (vi) determined that WMS is currently sufficiently developed to justify the additional investment to achieve the desired acceleration, and (vii) discussed potential changes to the framework/agenda of the Committee in the future. That concluded Mr. Schottlaender's report.

The Chair then called for other business. Ms. Farrell suggested that the Board take up the issue of Trustees attending (as guests) the meetings of Committees that they are not members of, in order to increase overall involvement and understanding of Board function. Mr. Alford stated that there was already a policy regarding this practice, which he would make available to the Board. Mr. Patrick expressed his full support for this concept. Mr. Neal reminded the Board of the MOOC conference in March, and suggested the topic be discussed at the April Board meeting in order to better determine OCLC's place regarding this phenomenon. Mr. Neal also suggested that OCLC reach out to CLIR (Committee on Library Information Resources) in order to establish a more collaborative relationship with that organization. Ms. Imhoff related that the study on small libraries recently completed by Mr. Teets was well done and worthy of further Board discussion at the April meeting.

The Chair then called for a break at 11:36 a.m., after which at 12:00 p.m, the Board went into executive session. At 1:00 p.m. the Chair resumed the Board meeting in open session, and inquired if there was any further business, and there being none, a motion to adjourn was moved, seconded, and unanimously approved by the Trustees.



Sandra Yee, Chair



James T. Houfek, Secretary

Appendix A
OCLC Online Computer Library Center, Inc.
Personnel & Compensation Committee of the Board of Trustees
Personnel & Compensation Committee Charter

In order to provide guidance to the Personnel & Compensation Committee ("Committee") in fulfilling its responsibilities, this Committee Charter ("Charter") has been adopted by the Board of Trustees ("Board") of OCLC Online Computer Library Center, Inc. ("OCLC"). The Committee shall review and reassess this charter at least annually and recommend any proposed changes to the full Board for approval.

Committee Role

The purpose of the Personnel & Compensation Committee is to provide oversight review of compensation and benefits of the employees of the corporation. The Committee evaluates and reports to the Board of Trustees on matters concerning management performance, employee compensation and personnel policies, programs and plans, including management development and continuity plans, and approves (but does not administer or manage) employee compensation and benefit programs.

Committee Membership and Organization

The Committee shall be composed of no fewer than three members of the Board, as designated by the Board. The Board may remove and/or replace any Committee member at any time in its sole discretion. These trustees shall be free of any relationship that, in the opinion of the Board, may interfere with such member's individual exercise of independent judgment. During the past three years Committee members: shall not have been employees of OCLC; shall not have received any compensation from OCLC other than for service on the Board, as authorized by the Board, or in accordance with Board policy; and shall not have been a partner, board member or officer of a corporation transacting significant business with OCLC. Committee members whose institutions are OCLC members or participants purchasing goods and services from OCLC on terms generally available to all members of that category shall be deemed to meet this independence requirement. In addition, Committee members shall not have been employed as an executive of another entity where any of OCLC's executives serve on the entity's compensation or audit committee or be an immediate family member of an individual who was an executive officer of OCLC within the past five years.

One member of the Committee shall be appointed as Chair. The 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 Chair will also maintain regular contact with the President and Chief Executive Officer, the Vice President, Corporate Human Resources, the Executive Vice President & Chief Financial Officer and the General Counsel of the company.

The Committee shall meet as often as deemed necessary by the Committee.

Committee Responsibilities

1. Approves and oversees (but does not administer or manage) the company's executive compensation programs.
2. Reviews and approves compensation matters for the Chief Executive Officer of the corporation, including the establishment of the annual performance objectives with respect to the Chief Executive Officer's compensation and benefits, and including long-

term and incentive based compensation. In addition, the Committee will provide general oversight and approve individual compensation actions, including long-term and incentive based compensation, for the remaining corporate officers based on discussion of the recommendations of the Chief Executive Officer. In determining the long-term incentive component of the overall compensation, the Committee shall consider the Company’s performance and relative member return, the value of similar incentive awards at comparable companies, and the awards given to the participants in prior years. The Committee will provide a thorough annual (or more often, if the Committee deems it appropriate) review of such matters with the full Board.

3. Oversees (but does not administer or manage) the establishment and administration of the Company's benefit programs.
4. May select and retain independent compensation and benefits consultants and other outside counsel, as needed, to provide independent advice to the Committee with respect to the Company's current and proposed executive compensation and employee benefit programs.
5. Oversees and approves the Succession Management planning process. Succession Management discussions for the Chief Executive Officer will be reviewed with the full Board. With respect to other officers, the Committee will provide preliminary review and approval, with final succession management discussions and planning presented to the full Board.
6. Reviews annually the organization’s Human Resources strategies and the Diversity and Inclusion programs as they relate to executive objectives and compensation. An overview of the US Corporation’s Affirmative Action Plan will be included in this annual review.
7. The Committee shall review and assess its own performance on a periodic basis, and update its Charter accordingly.
8. The Committee may form and delegate authority to subcommittees when appropriate.
9. The Committee shall also assist with other duties as may from time to time be assigned to it by the Board.

The Committee will use the “Task Calendar” as a guide to its regular duties and responsibilities, but said Task Calendar will only be advisory in nature, and the Committee is fully empowered to alter either the function or the timing thereof in its sole discretion as it may deem appropriate.

Personnel & Compensation Committee Meetings and Agendas

Meeting: February	AGENDA
	New committee chair and new member orientation
	MIP and LTIP forecast
	Review Charter
	EOS (Employee Opinion Survey) (when appropriate)
Meeting: April	AGENDA
	Recommended next fiscal year MIP Corporate objectives
	Succession Management Update
	Preliminary Review of CEO performance review process
	EEO/Inclusion Report Review

	HR Strategic Plan
Meeting: June	AGENDA
	Preliminary MIP comparison report on previous fiscal year (actual) to current fiscal year <i>projected</i> payout (all Officers)
	Summary of officer MIP next fiscal year recommended program objectives
	CEO performance review & merit increase

Meeting: September	AGENDA
<i>(This is typically an extended meeting with executive session including President & CEO to review officer performance)</i>	Fiscal year results: <ul style="list-style-type: none"> ➤ MIP reconciliation based on Audit Results ➤ LTIP targets & results
	Officer Personnel & Compensation Actions: <ul style="list-style-type: none"> ➤ Merit increases-VP only ➤ MIP payout recommendations ➤ LTIP payout recommendations ➤ Intermediate sanctions review (when appropriate) ➤ Market compensation evaluation (when appropriate)
	MIP projected target and payout comparison (previous fiscal year actual with current fiscal year payout recommendations)
	LTIP: Approve Enterprise targets for next three fiscal years
	Final approval of Officer current fiscal year MIP objectives (summary)
Meeting: November	AGENDA
Strategic Retreat	Strategic Retreat and P & C session as needed