

OCLC ONLINE COMPUTER LIBRARY CENTER, INC.

Meeting of the Board of Trustees

April 11, 2016

This meeting of the Board of Trustees of OCLC Online Computer Library Center, Inc., pursuant to the notice of the Secretary dated March 31, 2016, 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 April 11, 2016, at the Conference Center at OCLC, Smith Boardroom, 6600 Kilgour Place, Dublin, Ohio. Ms. Yee presided as Chair and Ms. Presas kept the minutes of the meeting, except during the executive sessions, when Mr. Roselle kept the minutes.

Trustees present:

Brady Deaton  
Berndt Dugall  
Cindy Hilsheimer  
Kathleen Keane  
Barbara Lison (via teleconference)  
James Neal  
Loretta Parham  
John Patrick  
Barbara Preece  
David Roselle  
John Szabo  
Ellen Tise  
Sandra Yee  
Jennifer Younger

Also, present for all or portions of the meeting:

David (“Skip”) Prichard, President & Chief Executive Officer  
Andrew Bordas, Vice President Management and Customer Operations  
Bruce Crocco, Vice President, Library Services for the Americas  
Lorcan Dempsey, Vice President OCLC Research, Membership & Chief Strategist  
Jeff Jacobs, Chief Information Officer  
Julie Presas, General Counsel & Vice President of Legal Services  
William Rozek, Chief Financial Officer  
Tammi Spayde, Vice President, Corporate Human Resources  
Mary Sauer-Games, Vice President, Global Product Management  
Eric van Lubeek, Vice President, Managing Director EMEA and APAC

Chair Yee called the meeting to order, and welcomed the Trustees participating including Ms. Lison who participated via teleconference. Chair Yee inquired as to whether there were any changes to the meeting agenda, and there being none, Chair Yee then inquired as to any changes, objections to, removals from or discussion of the meeting minutes, and there being none, she requested a motion to approve the minutes of the February 8, 2016 Board of Trustees Meeting. Upon motion duly made and seconded, the Board of Trustees unanimously approved the minutes.

The Chair then called for the President’s report. Mr. Prichard asked that the Board look to his written report for details, which was previously provided to the Trustees. Mr. Prichard highlighted the

significant progress that has been made on FY16 priorities including Project Bedrock, the Kilgour building renovation and others. He also provided a summary of the year to date financials through February. Mr. Prichard then introduced Bill Rozek, Bruce Crocco, Eric van Lubeek and Mary Sauer-Games to speak about the Management line of business. Mr. Rozek provided an overview of year-to-date financial results as well as the forecast for the remainder of the fiscal year. Messrs. Crocco and van Lubeek then presented on sales and marketing activities for WMS and other services in the Management line of business. Ms. Sauer-Games provided an overview of the product strategy for this line of business as well as an update on WMS reporting and WorldShare Report Designer. After discussion, Mr. Prichard thanked the team for their work and the Chair commended the team for the excellent presentations. This concluded the President's report.

The Chair then called the meeting into executive session at 9:58 a.m. with OCLC management present for the first part of the session. The Board continued in executive session until 10:47 a.m. at which time the meeting was called back into open session. The Chair called for a break at 10:47 a.m.

The Chair re-convened the meeting at 11:04 a.m. and delivered the Chair's report. She asked that the Board look to her written report for details, which was previously provided to the Trustees and noted that the recent EMEA Regional Council meeting in Madrid, Spain was a success. The Chair added that Ms. Lison presented the report from the Board during the EMEA Regional Council meeting. This concluded the Chair's report.

The Chair then reported that the Executive Committee met with all members present. The Executive Committee members discussed the plan to hold the June 2016 board meeting in North Carolina. In light of recently adopted legislation that is widely viewed as discriminatory toward the LGBTQ community, the Committee recommends the Board not hold the meeting in North Carolina and, instead meet in Dublin, Ohio or another venue. After discussion, the recommendation was unanimously agreed upon via voice vote. The Chair reported that the Executive Committee had also discussed the location for the off-site meeting in 2017 and reviewed the Board budget for the balance of the fiscal year. Further, the Chair reported that the Executive Committee recommended action by the full Board on two items. The first was a resolution to adopt the outcomes and Pricing Philosophy from the Board Task Force on Pricing. The Chair brought forward the following resolution to the full Board for their approval:

### **RESOLUTION**

WHEREAS, in July of 2015, the Board of Trustees (the "Board") of OCLC Online Computer Library Center, Inc. (the "Corporation") established a Board Task Force on Pricing (the "Pricing Task Force") to review the Corporation's cataloging and interlibrary loan pricing history in North America, invoice formatting and related pricing matters; and,

WHEREAS, the Pricing Task Force has completed its review and in consultation with management has developed recommendations regarding best practices and options for the pricing of products and services going forward which are consistent with OCLC's status as a mission-based not-for-profit global organization; and,

WHEREAS, in connection with the development of its recommendations with respect to pricing, the Pricing Task Force has developed a Pricing Philosophy Statement, a copy of which is attached hereto as Exhibit A, which memorializes the Pricing Task Force's views with respect to the Corporation's pricing objectives;

NOW THEREFORE, be it

RESOLVED, that the Board of Trustees approves the findings and recommendations of the Pricing Task Force and authorizes management to implement the recommendations of the Pricing Task Force;

FURTHER RESOLVED, that the OCLC Pricing Philosophy, a copy of which is attached hereto as Exhibit A, is hereby adopted and approved, such that any pricing terms and conditions for the Corporation shall be established by management in accordance with the terms of the Pricing Philosophy; and be it

FURTHER RESOLVED, that the Corporation's officers are hereby authorized to execute and deliver, in the name and on behalf of the Corporation, all appropriate documents and do such other acts and things as such officers may deem necessary to carry out the purposes and intent of the foregoing resolutions.

Upon a motion duly made, the Board of Trustees approved the resolution by unanimous vote.

The second item was a resolution to adopt the Board of Trustees meeting dates for calendar year 2017. The Chair brought forward the following resolution to the full Board for their approval:

### **RESOLUTION**

RESOLVED, that regular meetings of the Board of Trustees shall be held, in calendar 2017, at the offices of the Corporation or at other locations designated by the Board at 8:30 a.m., local time or at such time determined by the Board Chair, on the following dates:

March 27, 2017  
June 12, 2017  
September 18, 2017

November 13, 2017

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 13, 2017.

Upon a motion duly made, the Board of Trustees approved the resolution by unanimous vote. This concluded the report of the Executive Committee.

The Chair then called for the report of the Finance and Investment Committee. Ms. Hilsheimer reported that the Committee met with all members present, and had: (i) reviewed the operating results for year to date February, 2016, (ii) reviewed the forecast for the remainder of FY16, (iii) received an update of existing capital projects, (iv) received an update on the balance of OCLC's investment portfolio, (v) discussed OCLC's funding cash requirements and the lease financing, and (vi) received a progress update on the transfer pricing study. Ms. Hilsheimer then reported that the Committee recommended action by the full Board on three items. The first was a ratification of the September 2014 Board resolution authorizing long-term debt financing. The Chair brought forward the following resolution to the full Board for their approval:

### **RESOLUTION**

WHEREAS, on September 22, 2014, the Board of Trustees (the "Board") of OCLC Online Computer Library Center, Inc. (the "Corporation") adopted resolutions (the "September 2014 Resolutions") authorizing the Corporation to enter into arrangements with the County of Franklin, Ohio, the Columbus-Franklin County Finance Authority, or another public financing entity, as necessary and appropriate for the financing of certain projects as defined in the September 2014 Resolutions with proceeds of certain tax-exempt revenue obligations in an aggregate principal amount not to exceed \$30,000,000 (the "Obligations"); and

WHEREAS, the Corporation has not yet issued the Obligations as part of the financing approved in the September 2014 Resolutions; and

WHEREAS, based upon a review by the Finance and Investment Committee of the Board of the Corporation's current financial position and financing needs, and based further upon its recommendation, the Board deems it advisable and in the best interests of the Corporation to ratify, approve and affirm the authorization contained in the September 2014 Resolutions for purposes of the Corporation now proceeding with the issuance of the Obligations;

NOW, THEREFORE, be it

RESOLVED, that the authorization set forth in the September 2014 Resolutions are hereby ratified, approved and affirmed and remain in full force and effect, such that the Corporation is authorized to proceed with the issuance of the Obligations as contemplated by the September 2014 Resolutions; and be it

FURTHER RESOLVED, that David A. Prichard, President and CEO, William J. Rozek, Chief Financial Officer and Treasurer, Julie Presas, General Counsel and Vice President of Legal Services and any such officers appointed by any of them in writing be, and each of them, acting singly, are hereby authorized and directed to take any and all actions, 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 September 2014 Resolutions, and to do and perform all such other acts and things as such officer may deem necessary, appropriate or convenient, as conclusively evidenced by such action by such officer in order to carry into effect the September 2014 Resolutions and each document as delivered pursuant thereto, all such action heretofore taken being hereby ratified, approved and affirmed.

Upon a motion duly made, the Board of Trustees approved the resolution by unanimous vote.

The second is a resolution authorizing additional long-term debt financing contingent on OCLC's capacity to fund the additional debt. The date of the resolution sets the boundary for eligible purchases that can be re-financed in the future should OCLC elect a future debt offering. The Chair brought forward the resolution to the full Board for their approval:

#### RESOLUTION

WHEREAS, United States Treasury Regulations §1.150-2 (the "Reimbursement Regulations") prescribe conditions under which proceeds of bonds, notes or other obligations ("Obligations") used to reimburse advances made for capital and certain other expenditures ("Original Expenditures") paid before the issuance of such Obligations, will be deemed to be expended (or properly allocated to expenditures) for purposes of Sections 103 and 141-150 of the Internal Revenue Code of 1986 (the "Code"), upon such reimbursement so that the proceeds so used will no longer be subject to requirements or restrictions under those sections of the Code; and

WHEREAS, certain provisions of those Reimbursement Regulations require that there be a Declaration of Official Intent not later than 60 days following payment of the Original Expenditures expected to be reimbursed from proceeds of Obligations, and that the reimbursement occur within certain prescribed time periods after the Original Expenditure is paid or after the property resulting from that Original Expenditure is placed in service; and

WHEREAS, the Board of OCLC Online Computer Library Center, Inc. (the “Corporation”) wishes to take steps for compliance with those Reimbursement Regulations;

NOW, THEREFORE, be it

RESOLVED, that this Board declares that the Corporation reasonably expects that the costs of certain real and/or personal property, including without limitation, building renovations and improvements, computer, telecommunications and other equipment, furnishings, software programs, bibliographic and other information databases used in connection with or in support of the Corporation’s services, and other capital expenditures and appurtenances related thereto will be reimbursed with the proceeds of Obligations and the maximum principal amount of Obligations expected to be issued for the project is \$30,000,000; and

FURTHER RESOLVED that this Board expects such Original Expenditures to which the Reimbursement Regulations apply, to be made from money temporarily advanced and that is reasonably expected to be reimbursed (in accordance with applicable authorizations, policies and practices) from the proceeds of Bonds, to make appropriate reimbursement and timely allocations from the proceeds of the Bonds to reimburse such Original Expenditures, and to take any other actions as may be appropriate, all at the times and in the manner required under the Reimbursement Regulations in order for the reimbursement to be treated as an expenditure of such proceeds for purposes of Sections 103 and 141 to 150 of the Code; and be it

FURTHER RESOLVED, that this Board determines that this action shall constitute a Declaration of Official Intent for purposes of Sections 103 and 141 to 150 of the Code.

Upon a motion duly made, the Board of Trustees approved the resolution by unanimous vote.

The third resolution authorizes the Chief Financial Officer to use investment portfolio interest and dividend earnings to support the annual operating cash requirements of OCLC. The Chair then brought forward the resolution to the full Board for their approval:

#### RESOLUTION

WHEREAS, management of OCLC Online Computer Library Center, Inc. (the “Corporation”) has previously made a presentation to the Finance and Investment Committee of the OCLC Board of Trustees regarding the Corporation’s current cash position and possible sources to fund additional operating cash expenditures for the Corporation; and

WHEREAS, based upon such analysis, and after further consideration, management has recommended that the OCLC Board of Trustees (the “Board”) authorize the Chief Financial Officer and Treasurer (the “CFO”) of the Corporation to use up to the lesser of either 4% of the weighted average balance (defined

as the 5-year, 20-quarter rolling average portfolio valuation) of the Corporation's Investment Portfolio or the actual amount of any dividends and interest income so derived annually from the Investment Portfolio, (the "Proceeds") to support the Corporation's operating and capital cash requirements as deemed necessary and appropriate by the CFO; and

WHEREAS, the Board deems it advisable and in the best interests of the Corporation to so delegate such authority to the CFO;

NOW, THEREFORE, be it

RESOLVED, that the CFO is hereby authorized and empowered to access the Proceeds in accordance with the terms of these resolutions; and

FURTHER RESOLVED, that the CFO is hereby authorized and empowered to take any and all actions necessary to carry out authority so conferred by these resolutions, including but not limited to executing any and all instruments, contracts, agreements, certificates or other such documents necessary to access, liquidate, transfer or otherwise cause such Proceeds to be liquidated as necessary, all as determined in the CFO's discretion or pursuant to any such subordinate officers who shall act at the CFO's direction in carrying out such actions; and

FURTHER RESOLVED, that the authorization conferred by these resolutions is subject to the limitations on financial responsibilities as set forth in the By-Laws for Governance of the Corporation; and

FURTHER RESOLVED, that the estimated amount of Proceeds will be included as part of the Corporation's annual Corporate Operating Plan; and

FURTHER RESOLVED, that the Corporation's CFO shall provide an annual accounting to the Corporation's Finance and Investment Committee of the Board, which accounting shall include a report on the actual amount of dividends and interest used to fund annual operational needs, along with any such other information as the Finance and Investment Committee may so request in connection with carrying out its oversight obligations with respect to the use of the Proceeds; and be it

FURTHER RESOLVED, that this authorization shall remain in full force and effect until otherwise revoked by the Board.

Upon a motion duly made, the Board of Trustees approved the resolution by unanimous vote. This concluded Ms. Hilsheimer's report.

The Chair then called for the report of the Audit Committee. Ms. Younger reported that the Committee did not hold a meeting in April. The Committee will next meet in September to review the

results of the FY16 financial audit and discuss internal control assessments. This concluded Ms. Younger's report.

The Chair then called for the report of the Personnel and Compensation Committee. Mr. Neal indicated that the Committee met with all members present, and had: (i) discussed the revenue targets for the Long Term Incentive Plan which will be reported on further during executive session, (ii) reviewed the opinion from Willis Towers Watson who had been engaged to assess the competitiveness of OCLC's executive remuneration program and ensure that the program is reasonable for purposes of an intermediate sanctions assessment, (iii) received an update on talent and staffing at OCLC including diversity and inclusion programs, and (iv) reviewed the process for the CEO performance appraisal and recommended no changes. This concluded Mr. Neal's report.

The Chair then requested the Committee on Technology Planning report. Mr. Patrick reported that the Committee did not hold a meeting in April. The Committee will meet next in June to receive an update on technology projects. This concluded Mr. Patrick's report.

The Chair then called for the report of the Board Governance Committee. Mr. Roselle reported that the Committee met with all members present, and had: (i) discussed the succession process for the Board Chair position, (ii) reviewed the current expertise of the Board and potential candidates for future Board appointed Trustee positions including one which will be discussed during executive session, (iii) discussed succession planning for Board committee chairs, (iv) reviewed responses from the exit survey of a former Board member, and (v) received an update on the EMT assessment survey for the Board. This concluded Mr. Roselle's report from the Board Governance Committee.

The Chair then called for the report of the Membership Committee. Ms. Parham reported that the Committee will hold a meeting Tuesday, April 12, 2016 to discuss potential changes to OCLC's governance structure. This concluded Ms. Parham's report.

Chair Yee then convened the meeting in executive session at 11:31 a.m. with Mr. Prichard, Ms. Spayde and Ms. Presas present. The Board continued in executive session until 11:43 a.m., at which time Ms. Yee re-convened the Board in open session. During the executive session, the Board separately moved and unanimously approved the following 2 resolutions:



**RESOLUTION**

WHEREAS, in September 2015 the Board of Trustees of OCLC Online Computer Library Center, Inc. (the “Corporation”) approved performance objectives and target awards related to the Corporation’s officers for fiscal years 2016 and 2017 under the Corporation’s Long-Term Incentive Plan (“LTIP”); and

WHEREAS, the OCLC Personnel and Compensation Committee (the “Committee”) has recommended to the Board certain changes to the previously approved targets for revenue achievement for fiscal years 2016 and 2017, and the Board deems it advisable and in the best interests of the Corporation to adopt such recommendations as presented;

NOW THEREFORE, be it

RESOLVED, that the recommendations of the Committee regarding the changes to LTIP revenue achievement targets for fiscal years 2016 and 2017 for those who are eligible to participate in the LTIP (as identified by the Committee and presented to the Board) are hereby approved as presented;

FURTHER RESOLVED, that all other LTIP measurements of target achievement previously approved by the Board of Trustees at the September 2015 Meeting shall remain in effect; and be it

FURTHER RESOLVED, that the Corporation’s President and CEO, CFO, and Vice President Corporate Human Resources be, and they hereby are, each authorized to do such acts and things as they or any of them individually shall deem necessary or appropriate to carry out the purposes of the foregoing Resolution.

**RESOLUTION**

WHEREAS, in September 2015 the Board of Trustees of OCLC Online Computer Library Center, Inc. (the “Corporation”) approved performance objectives and target awards related to the Corporation’s President and CEO for fiscal years 2016 and 2017 under the Corporation’s Long-Term Incentive Plan (“LTIP”); and

WHEREAS, the OCLC Personnel and Compensation Committee (the “Committee”) has recommended to the Board certain changes to the previously approved targets for revenue achievement for fiscal years 2016 and 2017, and the Board deems it advisable and in the best interests of the Corporation to adopt such recommendations as presented;

NOW THEREFORE, be it

RESOLVED, that the recommendations of the Committee regarding the changes to LTIP revenue achievement

targets for fiscal years 2016 and 2017 for the President and CEO are hereby approved as presented;

FURTHER RESOLVED, that all other LTIP measurements of target achievement for the President and CEO previously approved by the Board of Trustees at the September 2015 Meeting shall remain in effect; and be it

FURTHER RESOLVED, that the appropriate officers of the Corporation from Human Resources and Finance be, and they hereby are, each authorized to do such acts and things as they or any of them individually shall deem necessary or appropriate to carry out the purposes of the foregoing Resolution.

The Chair then inquired if there was any further business. Ms. Parham brought forth a suggestion that the Board Governance Committee consider adding the Chair of the Board Membership Committee to the Executive Committee of the Board.

There being no further business to come before the Board at this time, a motion to adjourn was moved, seconded and unanimously approved by all Trustees at 11:44 a.m.

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Sandra Yee, Chair

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Julie Presas, Secretary

## Exhibit A

### **OCLC Pricing Philosophy**

OCLC is a mission-based not-for-profit global organization. We strive to generate adequate funds to create value for members and ensure the long-term sustainability of the Cooperative.

The organization is primarily funded by the membership through fees from the use of OCLC products and services.

Therefore, funding through the delivery of services must generate adequate revenues in total to fund current operations, fund investment in new technologies and infrastructure, fund membership growth initiatives and fund research and advocacy to further our public purposes.

OCLC seeks to be as efficient as possible, while meeting the annual financial goals as set by the Board of Trustees.

Pricing Objectives:

- Price levels will be value-based and reflect a balance of OCLC membership goals and the sustainability of the organization.
- Annual adjustments to price levels are to be expected but changes to structure will be infrequent. Price level adjustments will reflect the value of OCLC services as well as cost and revenue objectives as identified by the Board of Trustees.
- Ensure open member communications while maintaining confidentiality of pricing models.

Pricing will comply with legal and ethical standards.

Changes to OCLC pricing philosophy and approach will be endorsed by the Board to sustain the viability of the Cooperative and act in the best interests of the membership.