OCLC Online Computer Library Center, Inc. and Subsidiaries

Consolidated Financial Statements as of and for the Years Ended June 30, 2015 and 2014, and Independent Auditors’ Report

OCLC ONLINE COMPUTER LIBRARY CENTER, INC. AND SUBSIDIARIES

TABLE OF CONTENTS

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
OCLC Online Computer Library Center, Inc.:

We have audited the accompanying consolidated financial statements of OCLC Online Computer Library Center, Inc. and its subsidiaries (the "Company"), which comprise the consolidated balance sheets as of June 30, 2015 and 2014, and the related consolidated statements of revenues, expenses, and corporate equity and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of OCLC Online Computer Library Center, Inc. and its subsidiaries as of June 30, 2015 and 2014, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP

September 8, 2015

OCLC ONLINE COMPUTER LIBRARY CENTER, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
AS OF JUNE 30, 2015 AND 2014

	2015	2014
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 11,175,000	$ 13,103,600
Mutual funds	184,190,800	187,247,600
Other pooled investments	54,351,700	52,082,900
Receivables—net	30,272,100	30,691,300
Prepaid expenses and other	7,105,000	6,540,800
Total current assets	287,094,600	289,666,200
FIXED ASSETS—At cost—less accumulated depreciation and amortization	141,117,000	131,395,400
OTHER ASSETS	8,126,800	7,770,900
TOTAL	$ 436,338,400	$ 428,832,500
LIABILITIES AND CORPORATE EQUITY		
CURRENT LIABILITIES:		
Current portion of long-term debt and capital leases	$ 22,098,600	$ 22,147,600
Accounts payable	15,792,000	6,199,700
Accrued liabilities	23,072,700	21,510,200
Advance subscription payments	20,570,900	20,791,000
Unearned revenue	36,017,200	36,919,800
Total current liabilities	117,551,400	107,568,300
LONG-TERM DEBT AND CAPITAL LEASES—Less current portion	51,663,500	37,643,300
OTHER NONCURRENT LIABILITIES	17,351,700	16,709,000
CORPORATE EQUITY	249,771,800	266,911,900
TOTAL	$ 436,338,400	$ 428,832,500

See notes to consolidated financial statements.

OCLC ONLINE COMPUTER LIBRARY CENTER, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF REVENUES, EXPENSES, AND CORPORATE EQUITY FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
REVENUES	$ 202,793,700	$ 213,575,500
OPERATING EXPENSES:		
Salaries, wages, and related fringe benefits	131,521,000	130,142,700
Depreciation and amortization	27,072,900	22,358,700
Library services	24,955,700	26,729,500
Selling, general, and administrative	23,066,400	32,770,000
Building and utilities	7,906,500	8,419,600
Total operating expenses	214,522,500	220,420,500
DEFICIT OF REVENUES OVER OPERATING EXPENSES	(11,728,800)	(6,845,000)
OTHER INCOME (EXPENSE):		
Investment income	15,491,100	41,828,700
Interest expense	(1,561,900)	(1,518,700)
Miscellaneous—net	150,300	(247,700)
Total other income	14,079,500	40,062,300
EXCESS OF REVENUES OVER EXPENSES	2,350,700	33,217,300
NET CHANGE IN UNREALIZED LOSS ON INVESTMENTS	(16,376,600)	(10,081,400)
POSTRETIREMENT BENEFIT PLAN ADJUSTMENT	(1,011,900)	(1,267,700)
FOREIGN CURRENCY TRANSLATION ADJUSTMENT	(2,102,300)	67,100
INCREASE (DECREASE) IN CORPORATE EQUITY	(17,140,100)	21,935,300
CORPORATE EQUITY—Beginning of year	266,911,900	244,976,600
CORPORATE EQUITY—End of year	$ 249,771,800	$ 266,911,900

See notes to consolidated financial statements.

OCLC ONLINE COMPUTER LIBRARY CENTER, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Excess of revenues over expenses	$ 2,350,700	$ 33,217,300
Adjustments for noncash items:		
Depreciation and amortization	27,072,900	22,358,700
Realized gain on sale of investments	(11,183,800)	(28,592,400)
Other-than-temporary declines in investments	3,529,300	
Loss on disposal of fixed assets	108,900	666,800
Changes in assets and liabilities:		
Decrease in receivables	515,300	1,145,800
Increase in other assets	(1,337,400)	(141,400)
(Decrease) increase in accounts payable	(115,500)	532,100
Decrease in accrued liabilities, unearned revenue, and other	(1,335,800)	(329,200)
Net cash provided by operating activities	19,604,600	28,857,700
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from long-term debt and capital leases	30,000,000	8,791,900
Payments on long-term debt and capital leases	(14,539,900)	(9,320,900)
Proceeds from line of credit	11,548,500	12,986,100
Payments on line of credit	(11,548,500)	(2,986,100)
Debt issuance costs	(84,400)	
Net cash provided by financing activities	15,375,700	9,471,000
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(32,450,600)	(237,058,300)
Proceeds from distributions and sale of investments	24,516,500	218,501,600
Purchases of fixed assets	(11,354,800)	(11,178,900)
Capitalization of internal developed software	(17,206,100)	(15,370,000)
Acquisition of HKA (excluding acquired cash of $1,212,200)		(10,311,000)
Acquisition of SCS (excluding acquired cash of $80,100)	(2,091,900)	
Other—net	434,800	(633,400)
Net cash used in investing activities	(38,152,100)	(56,050,000)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	1,243,200	176,200

(Continued)

OCLC ONLINE COMPUTER LIBRARY CENTER, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
DECREASE IN CASH AND CASH EQUIVALENTS	$ (1,928,600)	$ (17,545,100)
CASH AND CASH EQUIVALENTS—Beginning of year	13,103,600	30,648,700
CASH AND CASH EQUIVALENTS—End of year	$ 11,175,000	$ 13,103,600
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the year for interest	$ 1,617,600	$ 1,501,800
Fixed asset additions financed by accounts payable	$ 10,849,000	$ 1,166,400
ACQUISITIONS:		
Fair value of assets acquired	$ 744,800	$ 11,788,900
Liabilities assumed	(1,380,100)	(2,789,800)
Goodwill	2,807,300	2,524,100
CASH PAID	$ 2,172,000	$ 11,523,200

See notes to consolidated financial statements. (Concluded)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES

OCLC Online Computer Library Center, Inc. (OCLC or the "Corporation"), is a nonprofit corporation organized to establish, maintain, and operate an international computerized network of bibliographic cataloging services for libraries and to promote the evolution of library use. The accumulated excess of revenues over expenses (corporate equity) cannot be distributed to the members. OCLC's corporate equity is unrestricted. In the event of dissolution, the Board of Trustees is to adopt a plan for distribution of remaining assets that is consistent with the purpose of OCLC. OCLC generally provides services to its members on a contract basis. The significant accounting policies of OCLC and its subsidiaries are set forth below:

Principles of Consolidation—The consolidated financial statements include the accounts of OCLC and its wholly owned for-profit subsidiaries, OCLC Information Distribution, Inc. (OID), and OCLC EMEA B.V. and subsidiaries (OCLC EMEA). Operating revenues for OCLC's wholly owned for-profit subsidiaries were $44,112,800 and $48,744,600 and operating expenses were $44,816,200 and $48,926,100 for the years ended June 30, 2015 and 2014, respectively. Intercompany transactions have been eliminated in consolidation. See Note 7 regarding the acquisition of Huijsmans En Kuijpers Automatisering B.V. (HKA).

Cash and Cash Equivalents—All highly liquid debt investments with an original maturity of three months or less at the time of purchase are considered cash equivalents and are stated at cost, which approximates market. Cash is primarily held in two banks and is invested into money market funds nightly.

Investments—Mutual funds and other pooled investments are stated at fair value. Fair values for these investments are based on market quotes or as calculated by third-party administrators. Fair value changes are reported as unrealized gains and losses and recorded within the changes of corporate equity. Realized gains and losses are calculated based on the first in, first out (FIFO) method. Realized gains and losses and other-than-temporary declines in market value from original cost are included in investment income in other income (expense).

Revenue Recognition—Member service revenues are recognized at the time services are provided and include services to locate, acquire, catalog, lend, circulate, and preserve library materials. Software license and consulting revenues are recognized at the time software is shipped and services are provided or according to contract terms in the case of customized installations and system maintenance billings. Certain revenues to acquire access to reference content on behalf of libraries are recorded net of associated database acquisition costs. Unearned revenue and advance subscription payments represent monies advanced to OCLC by members, participating libraries, and certain independent regional service providers in the United States and are recognized as revenues when the service is provided. Transaction based member participation credits (2015—$1,165,400; 2014—$11,816,900) are issued to libraries for services provided to OCLC for the benefit of the cooperative and are recorded as an expense rather than a reduction of revenue. Beginning in July 2014, most of the transactional credits were eliminated in favor of reduced subscription contract pricing.

Use of Estimates—The preparation of these consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires, in certain instances, the use of estimates. Actual results could differ from these estimates.

Depreciation and Amortization—Depreciation is provided using the straight-line method at rates based on the estimated useful lives of the equipment and improvements (from 3 to 20 years) and buildings (from 30 to 40 years). Costs incurred in connection with the issuance of debt are amortized and accreted using the effective interest method over the terms of the respective debt.

Software and Goodwill—The cost of purchased software is capitalized and amortized using the straight-line method over the estimated economic useful lives (from 3 to 15 years). OCLC capitalizes the costs associated with purchased databases, enhancements, and certain internal use software costs once certain criteria are met. These costs are amortized using the straight-line method (from 3 to 15 years). At each consolidated balance sheet date, management compares the carrying value of capitalized software to the net realizable value of the software, and the carrying value in excess of future discounted cash flows is expensed currently.

Goodwill represents the excess of cost over fair value of assets acquired. Net book value of goodwill was $5,777,700 and $5,236,300 at June 30, 2015 and 2014, respectively. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired. This testing requires comparison of the carrying value of the reporting unit to its fair value and when appropriate, the carrying value of the impaired asset is reduced to fair value. The calculation of fair value requires multiple assumptions regarding future operations to determine future cash flows, including but not limited to, sales volume and margin rates. As a result of planned software integration timeframes and anticipating margins over its remaining life, OCLC determined that the fair value of Sustainable Collection Services LLC (SCS) estimated using a discounted cash flow analysis and appropriate discount rates was less than its carrying value. As a result on June 30, 2015, $1,707,200 of goodwill was impaired (included in Depreciation and Amortization expense) relating to the acquisition of SCS (see note 8). At June 30, 2014, no goodwill impairment was deemed to exist.

Research and Development—Research and development costs (principally salaries and related fringe benefits), approximating $18,481,300 and $22,772,900 for fiscal years 2015 and 2014, respectively, are charged to operations as incurred.

Income and Other Taxes—The Internal Revenue Service has determined that OCLC is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and accordingly, no provision for income taxes is currently required for its operations. OCLC EMEA and OID are not exempt from federal, state, local, or foreign income taxes.

The asset and liability method is used for financial accounting and reporting of income taxes. Deferred income tax assets and liabilities are computed annually for differences between the financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted laws and rates applicable to the periods in which differences are expected to affect taxable income. Income tax expense is the tax payable or refundable for the period plus or minus the change during the period in deferred tax assets and liabilities.

Accounting Standards Codification (ASC) 740-10, *Income Taxes*, addresses the accounting for uncertainties in income taxes recognized in an enterprise's financial statements and prescribes a threshold of "more-likely-than-not" for recognition of tax positions taken or expected to be taken in a tax return. ASC 740-10 also provides related guidance on measurement, classification, interest and penalties, and disclosure. OCLC evaluated its tax positions at June 30, 2015 and 2014, in accordance with ASC 740-10. Based on this evaluation, OCLC determined that there was no material impact to the Corporation's consolidated financial statements as a result of ASC 740-10.

Foreign Currency Translation—The local currency has been designated as the functional currency for operations in Australia, Canada, France, Germany, the Netherlands, Switzerland, and United Kingdom. Income and expense items are translated at the average monthly rate of exchange. Assets and liabilities are translated at the rate of exchange on the consolidated balance sheet dates with the resultant translation gains or losses included as a separate component of corporate equity. Corporate equity includes net cumulative translation gains of $6,762,200 and $8,864,500 at June 30, 2015 and 2014, respectively.

Self-Insurance Programs—OCLC uses various self-insurance plans for certain of its medical insurance programs in the United States of America. The associated liability has been recorded in the consolidated financial statements based on information currently available as to the estimated ultimate cost for incidents prior to the consolidated balance sheet dates. Losses in excess of certain limits are insured with third-party insurance companies.

Reclassifications—Certain 2014 amounts have been reclassified to conform to the 2015 presentation. Specifically $2,711,500 was reclassed from selling, general and administrative to library services in order to aggregate total system maintenance costs.

2. INVESTMENTS

In accordance with ASC 958, *Not-For-Profit Entities*, investments are carried at their fair values with related unrealized gains and losses on the portfolio reflected in the change in net equity. Realized gains and losses are included in investment income.

OCLC invests available cash in major banks, mutual funds, and other pooled investments. Market risk is reduced by investing funds in maturities that match anticipated short and long-term cash needs and by investing in diversified industries and markets, both domestic and international. All investments are held in safekeeping by custodians and are reflected on the consolidated balance sheets as cash equivalents, mutual funds, and other pooled investments.

Realized gains and losses related to investments are recorded using the FIFO method. Net unrealized (loss) gains on the portfolio totaled $(6,470,500) and $9,906,100 at June 30, 2015 and 2014, respectively. The following schedule details investment returns for the years ended June 30, 2015 and 2014:

	2015	2014
Dividends, interest, and other income	$ 7,836,600	$ 13,236,300
Net realized gains	11,183,800	28,592,400
Other-than-temporary impairment	(3,529,300)	
Investment income	15,491,100	41,828,700
Net change in unrealized loss on investments	(16,376,600)	(10,081,400)
Total net investment (loss) gain	$ (885,500)	$ 31,747,300

The following table of temporarily impaired securities shows the gross unrealized losses and fair value, aggregated by investment category and length of time those securities have been in a continuous unrealized loss position, at June 30, 2015 and 2014.

	2015					
	Less Than 12 Months		12 Months or More		Total	
Description of Temporarily Impaired Securities	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Mutual funds	$ 147,561,900	$(8,039,500)	$ -	$ -	$ 147,561,900	$(8,039,500)
Other pooled investments	36,258,100	(1,630,400)			36,258,100	(1,630,400)
Total temporarily impaired securities	$ 183,820,000	$(9,669,900)	$ -	$ -	$ 183,820,000	$(9,669,900)

	2014					
	Less Than 12 Months		12 Months or More		Total	
Description of Temporarily Impaired Securities	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Mutual funds	$22,514,600	$(461,800)	$ -	$ -	$22,514,600	$(461,800)
Other pooled investments	16,727,800	(290,800)			16,727,800	(290,800)
Total temporarily impaired securities	$39,242,400	$(752,600)	$ -	$ -	$39,242,400	$(752,600)

At June 30, 2015, the Corporation owned the following securities that had unrealized losses: sixty nine mutual fund investment lots and six other pooled investments. At June 30, 2014, the Corporation owned the following securities that had unrealized losses: eight mutual fund investment lots and one other pooled investment.

OCLC reviews its portfolio for other-than-temporary impairment each fiscal year end. The investment securities portfolio is generally evaluated for other-than-temporary impairment with consideration given to: (1) the length of time and extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issue, and (3) the intent and ability to retain a security for a period of time sufficient to allow for any anticipated recovery in fair value.

The other-than-temporary impairment losses for the year ended June 30, 2015, are as follows:

Mutual funds	$ 3,086,500
Other pooled investments	442,800
Total	$ 3,529,300

At June 30, 2014, there were deemed no other-than-temporary impairment losses.

The following summarizes the general rationale, by investment type, for the recognition of impairments as either unrealized losses or other-than-temporary impairments at June 30, 2015 and 2014:

Mutual Funds—At June 30, 2015, impairments were generally considered other-than-temporary on those funds in which OCLC had an intent to sell. At June 30, 2014, all impairments were considered temporary given that both the duration and extent of the impairments were not significant considering OCLC's ability and intent to hold those investments for a reasonable period of time sufficient for an anticipated recovery of fair value.

Other Pooled Investments—At June 30, 2015, impairments were generally considered other-than-temporary on those investments in which OCLC had an intent to sell. At June 30, 2014, all impairments were considered temporary given that both the duration and extent of the impairments were not significant considering OCLC's ability and intent to hold those investments for a reasonable period of time sufficient for an anticipated recovery of fair value.

3. FIXED ASSETS

Fixed assets at June 30, 2015 and 2014, include the following:

	2015	2014
Land and improvements	$ 12,154,400	$ 11,856,100
Buildings and improvements	76,853,800	78,030,200
Computer and telecommunications equipment	39,488,100	29,280,100
Databases	85,280,100	84,595,000
Intangibles including software	146,923,200	132,460,900
Goodwill	21,898,700	23,384,000
Office furniture and equipment	17,948,600	19,763,100
Total	400,546,900	379,369,400
Less accumulated depreciation and amortization	259,429,900	247,974,000
Fixed assets—net	$ 141,117,000	$ 131,395,400

Software development costs, related to internal use software, of $17,206,100 and $15,370,000 were capitalized in 2015 and 2014, respectively.

Database enhancement costs of $2,735,900 and $2,607,000 were capitalized in fiscal year 2015 and 2014, respectively, and are included in databases.

Operating Leases—Certain buildings and equipment are rented under operating leases. Rental expense for all leases was $3,517,300 and $3,354,000 for fiscal years 2015 and 2014, respectively. Future minimum lease payments under existing noncancelable lease commitments are as follows:

Fiscal Years Ending June 30	
2016	$ 2,473,600
2017	1,409,200
2018	1,010,300
2019	796,500
2020	464,300
Thereafter	299,100
Total	$ 6,453,000

4. LONG-TERM DEBT AND CAPITAL LEASES

Long-term debt and capital leases at June 30, 2015 and 2014, consisted of the following:

	2015	2014
Long-term debt and line of credit	$ 15,069,000	$ 18,900,400
Capital leases	58,693,100	40,890,500
Subtotal	73,762,100	59,790,900
Less current maturities	(22,098,600)	(22,147,600)
Total	$ 51,663,500	$ 37,643,300

Long-Term Debt—On October 1, 2013, OCLC EMEA entered into a bank loan for the purposes of financing the purchase of HKA. The 6,500,000 euro loan has a fixed interest rate of 3.1% until October 1, 2016. The loan is due based on the following schedule: 650,000 euros on October 1, 2014; 1,300,000 euros on April 1, 2015 and 2016; 1,600,000 euros on April 1, 2017; 650,000 euros on October 1, 2017; and 1,000,000 euros on April 1, 2018. The loan balance outstanding was 4,550,000 euros ($5,069,000) and 6,500,000 euros ($8,900,400), at June 30, 2015 and 2014, respectively. The bank loan is secured by the shares and capital of HKA, mortgage on a building, business equipment, and accounts receivable of OCLC EMEA. The bank loan requires compliance with certain financial ratio covenants at June 30, 2015, which were not met. The bank provided a waiver for this covenant for the fiscal year ended June 30, 2015. All covenants were met for fiscal year ended June 30, 2014.

Capitalized Leases—On May 23, 2008, the Corporation entered into a seven-year tax-exempt lease agreement through Columbus-Franklin County Finance Authority for $20,000,000 with an effective interest rate of 3.22%. The lease is due quarterly in equal principal and interest installments of $800,700 beginning August 23, 2008, and had a balance outstanding of $3,139,200 at June 30, 2014, and was paid off during fiscal 2015. The proceeds were used to finance the acquisition and installation of office systems and equipment, computers, servers, related peripheral equipment and software, and bibliographic and other information databases.

On August 10, 2009, the Corporation entered into a ten-year tax-exempt lease agreement through Columbus-Franklin County Finance Authority for $30,000,000 with an effective interest rate of 4.0773%. The lease is due monthly in equal principal and interest installments of $304,800 beginning September 10, 2009, and has a balance outstanding of $13,995,700 and $17,016,100 at June 30, 2015 and 2014, respectively. The proceeds were used to refund the remaining portion of the 1998 Franklin County revenue bonds and to finance the acquisition and installation of office systems and equipment, computers, servers, related peripheral equipment and software, and bibliographic and other information databases.

On June 19, 2013, the Corporation entered into a seven-year tax-exempt lease agreement through Columbus-Franklin County Finance Authority for $24,000,000 with an effective interest rate of 1.615%. The lease is due monthly in equal principal and interest installments of $302,400 beginning July 19, 2013, and has a balance outstanding of $17,417,200 and $20,735,200 at June 30, 2015 and 2014, respectively. The proceeds were used to finance the acquisition and installation of office systems and equipment, computers, servers, related peripheral equipment and software, real property renovations and improvements, and bibliographic and other information databases.

On October 24, 2014, the Corporation entered into a seven-year tax-exempt lease agreement through Columbus-Franklin County Finance Authority for $30,000,000 with an effective interest rate of 1.54%. The lease is due monthly in equal principal and interest installments of $377,000 beginning November 28, 2014, and has a balance outstanding of $27,280,200 at June 30, 2015. The proceeds were used to finance the acquisition and installation of office systems and equipment, computers, servers, related peripheral equipment and software, real property renovations and improvements, and bibliographic and other information databases.

Cost and accumulated depreciation of the leased equipment included in 2015 and 2014 fixed assets are as follows:

	2015	2014
Equipment, software, and databases	$ 66,314,800	$ 56,314,800
Less accumulated depreciation	22,343,100	28,675,700
Capitalized leased assets—net	$ 43,971,700	$ 27,639,100

The aggregate maturities of the other long-term debt, and the capital lease obligations are as follows:

Fiscal Years Ending June 30	
2016	$ 22,098,600
2017	12,682,400
2018	12,995,100
2019	11,421,400
2020	8,598,400
2021 and later	5,966,200
Total	$ 73,762,100

5. BANK LINE OF CREDIT

An unsecured revolving line of credit with a bank in the United States provided for total borrowings of up to $15,000,000 during fiscal years 2015 and 2014. Under the terms of the agreement, interest on amounts borrowed is payable at an effective interest rate equal to 1.35% above the London Interbank Offered Rate (LIBOR) at June 30, 2015 and 2014 (total of 1.5% for both years). During fiscal years 2015 and 2014, no borrowings were made under such line of credit. The agreement expires December 31, 2015.

Effective January 3, 2012, OCLC obtained an additional unsecured revolving line of credit with a bank in the United States for $15,000,000. Under the terms of the agreement, interest on amounts borrowed is payable at an effective interest rate equal to LIBOR, plus 0.75% at June 30, 2015 and 2014 (total of 0.9% for both years). During fiscal year 2015, a total of $10,000,000 was borrowed and outstanding at June 30, 2015, and is included in current portion of long-term debt and capital leases on the consolidated balance sheet. During fiscal year 2014, a total of $10,000,000 was borrowed and outstanding at June 30, 2014 (subsequently repaid during fiscal 2015). The agreement expires January 31, 2016.

On October 1, 2013, OCLC EMEA modified its secured revolving line of credit with a bank for a total of 2,250,000 euros. The line of credit declines quarterly by 125,000 euros beginning April 1, 2014, through October 1, 2016. The line of credit available was 1,625,000 euros ($1,810,400) and 2,125,000 euros ($2,909,800) at June 30, 2015 and 2014, respectively. Under the terms of the agreement, interest on amounts borrowed is payable at an effective interest rate equal to 1.7% margin above the three-month EURIBOR (total of 1.72% and 2.01% at June 30, 2015 and 2014, respectively). The margin is reconsidered by the bank each year. During fiscal year 2015, a total of 1,289,000 euros ($1,548,500) was borrowed and subsequently repaid. During fiscal year 2014, a total of 2,200,200 euros ($2,986,100) was borrowed and subsequently repaid.

6. EMPLOYEE BENEFIT PLANS

A noncontributory defined contribution retirement plan covers all OCLC employees in the United States (“domestic”) who have completed two years of service. Voluntary contributory defined contribution employee savings plans cover all full-time domestic OCLC employees. In 2003, OCLC established a 457(b) nonqualified voluntary contributory defined contribution savings plan for key domestic employees with no defined waiting period. The cost of these plans (included in salaries, wages, and related fringe benefits) was $6,136,000 and $6,101,800 for fiscal years 2015 and 2014, respectively.

In 1998, OCLC established a nonqualified voluntary contributory savings plan for key domestic employees and Board of Trustee members. OCLC holds investment assets, recorded at fair value, purchased with the participants’ voluntary contributions. Due to a change in U.S. federal tax regulations, the plan was frozen effective May 1, 2002. The assets and liabilities under the plan were $3,867,600 and $3,816,100 (reflected in other assets and other noncurrent liabilities) at June 30, 2015 and 2014, respectively.

Operations outside the United States, including the OCLC Canada division and OCLC EMEA, maintain or participate in separate retirement and defined contribution pension plans. Total expenses recorded under these plans were $1,318,800 and $1,364,700 in fiscal years 2015 and 2014, respectively.

OCLC maintains a voluntary contributory plan providing postretirement health care and noncontributory postretirement life insurance coverage for U.S. employees. OCLC’s U.S. employees meeting certain age and service requirements at the time of their retirement are eligible to participate. OCLC recognizes the cost of postretirement medical and life benefits as the employees render service. These benefits are funded by OCLC when incurred.

Relevant postretirement benefit information as of June 30, 2015 and 2014, is summarized as follows:

	2015	2014
Reconciliation of benefit obligation:		
Benefit obligation at the beginning of the plan year	$ 9,510,500	$ 8,668,800
Service cost	610,900	561,000
Interest cost	425,500	437,900
Benefits paid	(172,500)	(353,700)
Actuarial gain	(1,898,500)	(669,000)
Assumption change	1,999,600	865,500
Benefit obligation at the end of the plan year	$ 10,475,500	$ 9,510,500
Net postretirement benefit cost:		
Service cost	$ 610,900	$ 561,000
Interest cost	425,500	437,900
Net amortization	(910,800)	(1,071,200)
Total	$ 125,600	$ (72,300)
Amounts included in equity:		
Unrecognized prior service credit	$ (420,400)	$ (539,500)
Unrecognized net gain	(8,680,100)	(9,572,900)
Total	$ (9,100,500)	$ (10,112,400)
Reconciliation of unrecognized net gain:		
Unrecognized net gain at the beginning of the year	$ (9,572,900)	$ (10,721,500)
Actuarial gain	(1,898,500)	(669,000)
Liability loss due to change in assumptions	1,999,600	865,500
Amortization amount	791,700	952,100
Unrecognized net gain at the end of the year	$ (8,680,100)	$ (9,572,900)
Benefit obligations recognized in equity:		
Net loss	$ 101,100	$ 196,500
Amortization of prior service credit	119,100	119,100
Amortization of gain	791,700	952,100
Total recognized in equity	$ 1,011,900	$ 1,267,700

Amounts recognized on the consolidated balance sheets as of June 30, 2015 and 2014, were as follows:

	2015	2014
Accrued liabilities—current	$ 202,000	$ 154,000
Other noncurrent liabilities	10,273,500	9,356,500
Total amount recognized	$ 10,475,500	$ 9,510,500

Actuarial assumptions used in determining these amounts included a weighted-average discount rate of 4.64% and 4.51% at June 30, 2015 and 2014, respectively, and an annual increase in medical expense of 8.5%, declining to 4.5% in 2024 and thereafter.

The following table summarizes the amounts in equity expected to be amortized and recognized as a component of net periodic benefit cost in 2016:

Net gain	$ (711,300)
Prior service credit	(119,100)
Total	$ (830,400)

The following table presents estimated future benefit payments for the next 10 fiscal years:

Fiscal Years Ending June 30	
2016	$ 202,000
2017	236,000
2018	262,000
2019	278,000
2020	326,000
2021–2025	2,066,000

7. ACQUISITION OF HKA

On October 1, 2013, OCLC EMEA B.V. purchased HKA, a Dutch library systems provider, for 8,519,300 euros ($11,523,200 at October 1, 2013). The acquisition was accounted for by the purchase method of accounting. The purchase price was allocated to the assets acquired, which primarily consisted of software and customer list of 8,715,700 euros ($11,788,900), and the liabilities assumed, which primarily consisted of deferred tax liability of 2,062,500 euros ($2,789,800), based on their fair values at the date of acquisition. Goodwill, representing the excess of cost over fair value of assets acquired, of 1,866,100 euros ($2,524,100 at October 1, 2013) was recorded and included in fixed assets. HKA's operations, subsequent to the date of the purchase, are included in the consolidated financial statements for the year ended June 30, 2014, and its revenues for the nine months ended June 30, 2014, were $3,885,300. The pro forma consolidated results for fiscal year 2014, assuming the purchase had been made at the beginning of the fiscal year, would not have been materially different from reported results.

8. ACQUISITION OF SCS

Effective January 8, 2015, OCLC purchased certain assets and assumed certain liabilities of Sustainable Collection Services LLC ("SCS"), the industry leader in helping libraries manage their print collections for $2,172,000. The agreement provides for additional consideration of up to a maximum of $1,260,000 that may be paid if SCS achieves predefined goals through fiscal year 2018. The fair value of the contingency is deemed to be $1,260,000 at June 30, 2015. The purchase was accounted for by the acquisition method of accounting. Assets acquired, primarily software of $744,800 and liabilities assumed, primarily contract performance liabilities of $1,380,100 were based on their fair values at the date of acquisition. Goodwill, representing the excess of cost over fair value of assets acquired, of $2,807,300 was recorded and included in fixed assets. At June 30, 2015, goodwill was deemed partially impaired by $1,707,200 (included in depreciation and amortization expense). SCS's operations, subsequent to the date of the purchase, are included in the consolidated financial statements for the year ended June 30, 2015, and its revenues for the six months ended June 30, 2015, were $378,400. The pro forma consolidated results for fiscal year 2015, assuming the purchase had been made at the beginning of the fiscal year, would not have been materially different from reported results.

9. INCOME TAXES

OCLC has a net deferred tax asset of $2,468,000 for operating loss carryforwards ($411,000 domestic and $2,057,000 foreign). The net deferred tax asset is fully offset by a valuation allowance due to the uncertainty of recoverability of these items. OCLC EMEA also has a deferred tax asset of $127,000 and $184,000 at June 30, 2015 and 2014, respectively, relating to the fixed asset depreciation and a prior German acquisition, which is recorded as a noncurrent asset in other assets.

OCLC EMEA also has a deferred tax liability of $1,715,000 and $2,529,000 at June 30, 2015 and 2014, respectively, relating to the acquisition of HKA, which is recorded as a noncurrent liability in other noncurrent liabilities.

At June 30, 2015, domestic and foreign net operating loss carryforwards for income tax reporting purposes are approximately $9,591,000 ($1,210,000 domestic and $8,381,000 foreign, principally in the United Kingdom and Canada). The domestic and Canadian carryforwards expire through fiscal year 2034.

10. FAIR VALUE MEASUREMENTS

ASC 820, *Fair Value Measurements and Disclosures*, establishes a framework for measuring fair value by providing a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities ("Level 1 inputs") and the lowest priority to unobservable inputs ("Level 3 inputs"). The three levels of the fair value hierarchy under ASC 820 are described below:

Level 1—Quoted prices in active markets for identical assets

Level 2—Other significant inputs (including quoted prices of similar securities, interest rates, prepayment speeds, credit risk, etc.)

Level 3—Significant unobservable inputs (which may include OCLC's own assumptions in determining the fair value of investments)

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following tables set forth by level, within the fair value hierarchy, present OCLC's assets at fair value as of June 30, 2015 and 2014:

	Assets at Fair Value 2015			
	Quoted Prices in Active Markets Level 1	**Significant Other Observable Inputs Level 2**	**Significant Unobservable Inputs Level 3**	**Total**
Mutual funds:				
Fixed income	$ 59,384,300	$ -	$ -	$ 59,384,300
Equity	101,917,700			101,917,700
Alternatives	22,888,800			22,888,800
Total mutual funds	184,190,800	-	-	184,190,800
Other pooled investments:				
Domestic fixed income		18,208,800		18,208,800
Global fixed income		18,049,300		18,049,300
Global equity		18,093,600		18,093,600
Total other pooled investments	-	54,351,700	-	54,351,700
Total assets at fair value	$ 184,190,800	$ 54,351,700	$ -	$ 238,542,500
Contingent consideration due under SCS acquisition agreement	$ -	$ 1,260,000	$ -	$ 1,260,000
Total liabilities at fair value	$ -	$ 1,260,000	$ -	$ 1,260,000

	Assets at Fair Value 2014			
	Quoted Prices in Active Markets Level 1	**Significant Other Observable Inputs Level 2**	**Significant Unobservable Inputs Level 3**	**Total**
Mutual funds:				
Fixed income	$ 57,539,400	$ -	$ -	$ 57,539,400
Equity	107,193,600			107,193,600
Alternatives	22,514,600			22,514,600
Total mutual funds	187,247,600	-	-	187,247,600
Other pooled investments:				
Domestic fixed income		16,961,000		16,961,000
Global fixed income		16,727,800		16,727,800
Global equity		18,394,100		18,394,100
Total other pooled investments	-	52,082,900	-	52,082,900
Total assets at fair value	$ 187,247,600	$ 52,082,900	$ -	$ 239,330,500

ASC 825, *Financial Instruments*, requires fair value disclosures about substantially all balance sheet financial instruments. Certain assets and liabilities, the most significant being fixed assets, do not meet the statement's definition of financial instruments and are excluded from this disclosure. Similarly, corporate equity is not considered a financial instrument and is also excluded from this disclosure. Many of the assets and liabilities subject to the disclosure requirements are not actively traded, requiring fair values to be estimated by management. These estimations necessarily involve the use of judgment about a variety of factors, including, but not limited to, materiality, relevancy of market prices of comparable instruments, and appropriate discount rates. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

The following methods and assumptions were used to estimate the fair value of each material class of financial instruments:

Cash and Cash Equivalents, Receivables, Accrued and Other Liabilities (Excluding Postretirement Benefit Obligations and Deferred Compensation), Long-Term Debt, and Accounts Payable—The carrying amounts of these items are a reasonable estimate of their fair values.

Investments—Investments are stated at fair value based upon quoted market prices or as calculated by third-party administrators.

Contingent consideration due under the SCS acquisition agreement is valued at fair value based upon undiscounted cash flows due to the seller determined by revenue performance, length of employment, and other indicators.

The valuation methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while OCLC believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following summarizes the nature and risk of those investments that are reported at estimated fair value utilizing net asset value as of June 30, 2015 and 2014. There were no unfunded commitments for either year.

	2015		
	Fair Value	**Redemption Frequency**	**Redemption Notice Period**
Mutual funds:			
Fixed income	$ 59,384,300	Daily	1 Day
Equity—domestic	42,133,600	Daily	1 Day
Equity—global	59,784,100	Daily	1 Day
Alternatives	22,888,800	Daily	1 Day
Other pooled investments:			
Domestic fixed income	18,208,800	Monthly	45 Days
Emerging market fixed income	18,049,300	Daily	1 Day
Global equity	18,093,600	Daily	1–30 Days
	$ 238,542,500		

	2014		
	Fair Value	Redemption Frequency	Redemption Notice Period
Mutual funds:			
Fixed income	$ 57,539,400	Daily	1 Day
Equity—domestic	44,555,400	Daily	1 Day
Equity—global	62,638,200	Daily	1 Day
Alternatives	22,514,600	Daily	1 Day
Other pooled investments:			
Domestic fixed income	16,961,000	Monthly	45 Days
Emerging market fixed income	16,727,800	Daily	1 Day
Global equity	18,394,100	Daily	1–30 Days
	$ 239,330,500		

Investments in these categories consist of mutual funds or commingled funds that invest in domestic equities, foreign equities, domestic fixed income, or foreign fixed income securities, in some instances using alternative investment strategies. Fair market value of the investments has been estimated using the net asset value per share of the investments.

11. CONTINGENCIES

The Corporation is involved in various claims and legal actions in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Corporation's consolidated financial statements.

12. SUBSEQUENT EVENTS

The Corporation has performed an evaluation of subsequent events through September 8, 2015, which is the date the consolidated financial statements were available to be issued, noting no events that affect the consolidated financial statements as of June 30, 2015.

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