

262-1  
MINUTES OF MEETING  
**BOARD OF TRUSTEES**  
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May 4, 2012

A meeting of the Board of Trustees was held in the Boardroom of The Nittany Lion Inn, University Park, Pennsylvania, at 1:30 p.m. on May 4, 2012.

The following Trustees were present: Peetz (chairman), Masser (vice chairman), Alexander, Allan, Arnelle, Broadhurst, Corbett, Dambly, Deviney, DiBerardinis, Erickson, Frazier, Garban, Greig, Hayes, Hetherington, Hintz, Huber, Jones, Khoury, Lubert, Masser, Myers, Peetz, Riley, Shaffer, Silvis, Strumpf, Suhey, Surma, and Tomalis; and Trustees Emeriti Brosius, Huck, Junker, Robinson, Rowell, and Wolff; and Branstetter.

Present by invitation were faculty representatives Backer, Hufnagel, and Yarnal; student representatives Clark, Fisher, and Lennartz; staff members Ammerman, Baldwin, DiRaimo, Foley, Gray, Hanes, Kirsch, Korner, Mahon, Mulroy-Degenhart, Pangborn, Paz, Poole, Sims, and Weidemann.

Chairman Peetz welcomed the recently elected University Faculty Senate Officers, Larry Backer, Pam Hufnagel, and Brenton Yarnal; student representatives Ben Clark, Wanika Fisher, and Courtney Lennartz; and Academic Leadership Chair Barbara Korner.

It was voted to approve the minutes of the meeting of the Board held on March 16, 2012.

**President's Report**

Dr. Erickson's report is included in its entirety:

"Welcome. I'm pleased you could all join us for what is certainly the highlight of the academic calendar--commencement. In keeping with the celebratory nature of the weekend, I have a number of notable accomplishments to share this afternoon.

"First, I'd like to congratulate Karen Peetz, who was honored with the Women's Leadership Council Founder's Award by the United Way of New York City. Karen has been a dedicated volunteer and leader for the United Way for many years. This is a well-deserved honor. Congratulations!

"I also want to recognize Ken Frazier, who was elected to the 2012 Class of the American Academy of Arts and Sciences. Some of the world's most accomplished leaders from academia, business, public affairs, the humanities, and the arts have been elected members of the Academy, and this is fitting recognition for Ken's business, corporate and philanthropic leadership. Congratulations Ken. Also, please note that Ken will provide an update a little later on the progress of the Louis Freeh investigation.

"Turning to commencement, this weekend Penn State will award nearly 13,000 degrees University-wide--601 associate degrees; 10,473 baccalaureate degrees; 1,176 master's degrees; 188 doctoral degrees; 131 medical degrees; and 215 law degrees. Graduation is a great achievement, and we're very proud of our students' accomplishments, ambition and desire to change the world for the better. I would also like to thank the Trustees who will be authorizing the granting of degrees in each of the respective ceremonies.

"As the great philosopher Anonymous once said, 'If it wasn't for the last minute, nothing would ever get done.' This year we've had a flurry of activity in the University Park admissions office as the May 1 deadline approached. Many students who have applied to the Commonwealth Campuses are still making their decisions, and we will continue to accept applications to the campuses throughout the spring and summer.

"I can provide you with a snapshot of where we stand as of three days ago. Overall, applications for baccalaureate admission are ahead of last year by more than two percent, which will make this another record year for applications received. At this point, we're looking at the largest incoming class at University Park since the record cohort of 2006. Our paid acceptances are up 6 percent for summer/fall. We do expect the usual melt over the summer,

but we're confident that we will more than meet our enrollment target of 7,200 freshmen at University Park. By all indications, the quality of our incoming class is right on par with recent years.

"After years of significant aggregate growth in enrollments at our Commonwealth Campuses, we're seeing some declines this year in deposits. Paid accepts in aggregate at the campuses are down about 750 students from last year, and a majority of the difference is accounted for by three larger campuses where we expect to close the gap in the coming months.

"We've had so much going on lately, I thought it might be nice to spend some time talking about the weather...especially when the forecast is this bright. A group of 15 Penn State meteorology students recently captured first place in the Weather Challenge, a North American collegiate weather forecasting competition. During the 20-week forecasting contest, which spanned both fall and spring semesters, students predicted high and low temperatures, precipitation and wind speeds at 10 different cities including Juneau, Alaska; Hilo, Hawaii; New Orleans; and Erie. Penn State's forecasters bested teams from more than 50 other universities, and our Penn State winning forecasters will have their names engraved on the Weather Challenge trophy, which will reside at Penn State during the 2012-13 academic year.

"Now, I wish to share a story about a simple device--the Tippy Tap - that is having a major impact on public health in rural African communities. This work has already won first place for the Johnson & Johnson Rural Healthcare Award and first place in the Undergraduate Research Exhibition, and the students who devised it were the first undergraduates to appear at the 'Research Unplugged' lecture series in downtown State College. Ce Zhang and Adam Mosa--who invented the Tippy Tap--are here today, and I'll introduce them after we watch a short video. [Video shown.]

"Would Ce please stand? Adam was unable to join us today, but he earned his bachelor's degree in Life Science from Penn State in 2010. He's currently a research associate at the Cognitive Neurophysiology Laboratory at the New York University School of Medicine, where he's doing research on epilepsy. He was recently accepted to the Department of Physiology at the University of Toronto, where he'll pursue a Master's in Neuroscience, before attending medical school.

"Ce is a Schreyer Honors scholar, who will graduate tomorrow with a degree in biology. He has been accepted to graduate school at the University of Cambridge in the United Kingdom to earn a Master's in Public Health. Then he plans to go to medical school. Please join me in recognizing these two exceptional Penn Staters. Thank you.

"*The Daily Collegian* reached a milestone this year--125 years of publication! It has come a long way since its debut as *The Free Lance*, and it has been a steady source of award winning reporting. Will all the Collegian staff members--past and present--please stand and wave so you can be recognized? Congratulations and thank you for your excellent work.

"Continuing with this spirit of recognition, this spring we named three new Evan Pugh Professors. The title of Evan Pugh Professor is the highest honor that can be bestowed upon a faculty member of our University and is given to faculty whose research, publications and creative work are of the highest quality; who are acknowledged national and international leaders in their fields; who are involved in pioneering research or creative accomplishments; and who demonstrate excellent teaching skills. This year's honorees are: James Kasting, Distinguished Professor of Geosciences, Jainendra Jain, Ervin Mueller Professor of Physics, and Bruce Logan, Kappe Professor of Environmental Engineering. Drs. Jain and Logan are out of town, but I'm very pleased that Dr. Kasting could join us today. Jim, could you please join me at the podium? I'd also like to ask Provost Pangborn to join us as well.

"Jim joined the Penn State faculty in 1988. He specializes in the evolution of Earth's climate and atmosphere. He also researches habitable zones around other star systems, a field that is critical to the search for extraterrestrial life. In addition to being a member of the American Academy of Arts and Sciences, he is a Fellow of the American Association for the Advancement of Science, the International Society for the Study of the Origin of Life, the American Geophysical Union and the Geochemical Society. Congratulations!

[Provost Pangborn presented the Evan Pugh Medallion to Professor Kasting.]

"In addition to honoring Ken Frazier this spring, the American Academy of Arts and Sciences recognized Sharon Hammes-Schiffer, a professor of chemistry and the Eberly Professor of Biochemistry, by naming her a Fellow of the Academy. Dr. Hammes-Schiffer is a world leader in theoretical chemistry whose research spans the fields of chemistry, physics, biology and computer science. Her research has important implications for the development of alternative energy sources such as solar cells, as well as for protein engineering and drug design.

"Susan Brantley, Distinguished Professor of Geosciences and director of the Earth and Environmental Systems Institute, was elected to the National Academy of Sciences as one of 84 new members and 21 foreign associates from 15 countries. Dr. Brantley is an inspiring teacher, researcher and mentor, and her work focuses on the measurement and prediction of the rates of natural processes, in particular, the effect of microbial life on mineral reactivity.

"We were also pleased to learn that three professors from the College of the Liberal Arts were awarded Guggenheim Fellowships for 2012: Lori Ginzberg, professor of history and women's studies; Nina Jablonski, Distinguished Professor of Anthropology; and David Rosenbaum, Distinguished Professor of Psychology. The three are among a diverse group of 181 artists, scientists and scholars selected this year from nearly 3,000 applicants across the United States and Canada.

"Linda Patterson Miller, professor of English at Penn State Abington, is just finishing her year as the Penn State Laureate. Linda's area of expertise is early 20th-century American literature and art, and she has spent the year entertaining and enlightening our community with tales of writers and artists such as Ernest Hemingway, F. Scott Fitzgerald, Gertrude Stein and the Lost Generation. Linda, could you please stand so we can recognize you for your many contributions to Penn State as a teacher, researcher and most recently, the Penn State Laureate? Thank you.

"Christopher Staley, distinguished professor of art, was named the 2012-13 Penn State Laureate. Over the next year, he plans to develop a series of talks and presentations on 'Art and Life: Where They Intersect,' drawing from his 30 years of experience as a ceramic artist and educator. Chris is currently out of town, but you'll have a chance to meet him another time.

"Penn State's outstanding faculty coupled with a supportive research enterprise led by Hank Foley has made for an impressive record of research awards. To date, funded research at Penn State is up 16.7 percent, which translates into \$634 million in new research awards. Agricultural sciences, engineering, health and human development, medicine and science have all seen robust funding, which is especially laudable given the flat federal spending.

"I'm happy to report that we're moving forward on several fronts related to abuse prevention efforts, and I want to take this opportunity to highlight some significant progress. This past Wednesday, we announced that Penn State has infused more than \$1.1 million into the newly established Center for the Protection of Children, based at Penn State Hershey Children's Hospital. This is more than twice the original start-up funds commitment, as a result of higher-than-expected Big Ten bowl revenues. The University also donated \$1.5 million to the Pennsylvania Coalition Against Rape. This is just the beginning: our goal is to leverage the resources and experience available through Penn State to bring a new level of leadership in clinical care, research, education and direction of policy related to child abuse and neglect. I will continue to keep you informed of our work in the months ahead.

"Penn State is also continuing our work to enhance the educational opportunities and school environment for all children. One recent \$3.5 million grant from the U.S. Department of Education is designed to help Penn State researchers improve the well-being of teachers so they can better support their students, while reducing the stresses that lead to high teacher drop-out rates. The study, led by Patricia Jennings and Mark Greenberg from Penn State's Prevention Research Center, will test a professional development program called CARE for Teachers.

"Moving on to athletics and some very big wins for Penn State--our wrestling team made us proud--again--when it captured its second straight NCAA Championship in a decisive victory. In addition to the team championship, there were three individual champions as well - Senior Frank Molinaro, sophomore David Taylor, and sophomore Ed Ruth. As you may have guessed by the polite and muscle-bound group here today, several of the wrestlers and coaches have joined us. I'd like our wrestlers and coaches to introduce themselves, but before I do, I want to note that our wrestlers are academic stars. The average GPA of the students here today is 3.56, which is remarkable given their rigorous and time consuming practice schedule. Now would our wrestlers and coaches please stand and tell us your name, year, major and hometown? [Students remarked.] Thank you. We appreciate you coming.

"Our Lady Lions Head Coach, Coquese Washington, is more than a presence on the court; she has built strong bonds with the community through outreach and inventive communication tools like an online discussion board. I asked Coquese to join us so we can recognize her for an outstanding season. She led her team with integrity, heart and Lady Lion spirit. Coquese was named Big Ten Coach of the Year and the 2012 Russell Athletic/WBCA Region 6 Coach of the Year. Please join me in recognizing Coach Washington or Coach Quese if you prefer. Thank you!

"I also want to call your attention to a few athletes who may have slipped under your radar. For example, Penn State pitcher Steven Hill turned heads when he became the first Penn Stater to throw a no-hitter since 1995. Freshman sensation Robby Creese became just the third athlete in Penn State history to break the four-minute barrier in the mile run; and Nate Savoy became the first swimmer in the history of the program to be named Big Ten Freshman of the Year. He also earned his first collegiate All-America honors.

"Last Saturday, the Penn State men's volleyball team took the EIVA Championship title, for the 14th straight season. The victory sent Penn State to the NCAA National Collegiate Men's Volleyball Championship as the No. 4 seed facing No. 1 seed US-Irvine last night.

"And here's an achievement that has special significance to Penn State as we continue to strive for athletic and academic excellence. Sixty-three Penn State student-athletes, representing seven sports, earned Winter Academic All-Big Ten honors. Penn State's 63 honorees bring the Nittany Lions' all-time total to nearly 4,000 during the 18 years of the conference academic program. Congratulations go to our athletes, coaches, academic advisors, and staff supporting the needs of our student-athletes.

"Finally, I have a few items from Development to share. As you can see by this photo of the groundbreaking for the Pegula Ice Arena, Hockey Valley is officially here. What you can't see is that we all had hat hair after we took off our helmets, and Joe Battista nearly checked me with his shovel. Other than the need for a few penalty calls, it was a momentous occasion, made even more special by the Pegulas, who increased their total support to \$102 million for the arena and scholarships. Terry and Kim's unprecedented generosity to Penn State is inspiring and transformative, and we look forward to the Arena's opening in time for the 2013-14 season.

"The class of 2012 has also demonstrated their commitment to Penn State's future. This year, the class continued the senior class gift tradition with a commitment to create a Nittany Lion Shrine Historical Display. It will depict the shrine's history, from the origins of the Nittany Lion as the University's mascot in 1907 to the statue's completion as the 1940 senior class gift and what was to become the enduring symbol of Penn State. The class of 2012's gift also will add improved lighting and ADA accessibility, making the shrine more visitor friendly all year round. In addition, because the campaign met Ed and Helen Hintz's challenge to obtain more than the 3,000 pledges, Ed and Helen have generously offered to endow a \$50,000 Trustee Scholarship in the name of the class. Thank you, Ed and Helen, for your support of this meaningful tradition.

"One recent graduate who is already giving back is David Rusenko, the CEO and co-founder of Weebly, a tech start-up based in San Francisco. David is a 2007 graduate of Penn State's College of Information Sciences and Technology and the youngest recipient of the Penn State Alumni Achievement Award. He returned to campus to share his experience with our students and to donate a \$400,000 gift to create the David Rusenko Scholarship for

Entrepreneurship, which will help IST students to launch their own companies while they are still in school.

"Last Friday, I had the pleasure of participating in a wonderful evening to honor Susan Welch's 20-year tenure as dean of the College of the Liberal Arts. Only a handful of academic deans have previously reached the 20-year mark, and none of them have been women. Susan is a role model, a pioneer and a visionary. To recognize Susan's unique contributions to Penn State, alumni, faculty, staff and friends came together to raise more than \$3 million in honor of her legacy. More than 80 percent of the commitments are targeted to graduate education, one of the dean's top fund raising priorities in *For the Future: The Campaign for Penn State Students*.

"Finally, in March, I promised we would invite THON's 2012 overall chair Elaine Tanella, to today's meeting. As you know, this year THON set another record--\$10.7 million for the Four Diamonds Fund at the Penn State Milton S. Hershey Medical Center. I'm very pleased Elaine could attend this meeting, along with the 2013 overall chair, Will Martin, and Barry Bram, who serves as the official university advisor to THON, in addition to his full-time duties as senior associate director of unions and student activities in Student Affairs. Elaine, Will and Barry will you please rise? These three represent the past, present and future of THON, and the tens of thousands of hours that make THON the largest student philanthropy in the world. Please join me in thanking them.

"Thank you. Now I would happy to take your questions."

President Erickson received comments and questions concerning:

- The newly enacted Pennsylvania Voter law that will require voters to show an acceptable photo ID to vote at the polls starting with the November 2012 general election. Currently, Penn State student ID cards do not have an expiration date. Beginning with summer orientation, all new student ID cards issued will include a printed expiration date that is five years from the date of issue. During the 2012 fall semester, current students who have not yet been issued an ID card with an expiration date, and possess no other acceptable form of ID that can be used for voting, will be issued an expiration sticker that can be affixed to Penn State's id+ Card, making it valid for voting under the new law.

### **Reports from Standing Committees**

#### **A. Committee on Academic Affairs and Student Life**

Chair Alexander reported that a quorum of the Committee on Academic Affairs and Student Life was present with the following members in attendance: Alexander (chair), Khoury (vice chair), Peetz and Erickson (ex officio), DiBerardinis, Hayes, Hetherington, Riley and Tomalis.

Chair Alexander reported that since the last meeting, the Committee had an opportunity to learn more about information regarding the Center for the Performing Arts Creative Campus Project. Barbara Korner, Dean of the College of Arts and Architecture, was joined by George Trudeau, Director, Center for the Performing Arts, Amy Dupain Vashaw, Director of Audience and Program Development; and Veronica Patrick, 4th year Architecture major involved in the project.

The committee also had the opportunity to explore the relationship between academic affairs and student life. Dr. Patrick Terenzini, Distinguished Professor of Education Emeritus, and Higher Education Program Senior Scientist Emeritus, led a discussion of this important topic.

The Committee on Academic Affairs and Student Life recommended that the Board of Trustees approve the following resolutions:

1. RESOLVED, That the Board of Trustees approves President Rodney A. Erickson's appointment of Charles H. Whiteman as the Elizabeth L. and John P. Surma Jr. Dean of The Mary Jean and Frank P. Smeal College of Business effective July 1, 2012.

2. RESOLVED, That the Board of Trustees approves the discontinuation of the Educational Division as an organizational unit at Penn State Great Valley effective immediately.
3. RESOLVED, That the Board of Trustees approves the elimination of the Department of Integrative Arts in the College of Arts and Architecture effective July 1, 2012.

The Board voted to approve the action items as recommended by the Committee on Academic Affairs and Student Life.

The Committee received the following items for information:

1. Information on Undergraduate Programs
  - a) Integrated Bachelor of Architectural Engineering and Master of Science in Architectural Engineering: New Program in the College of Engineering
  - b) Integrated Bachelor of Science in Engineering Science and Master of Science in Engineering Mechanics: Phase-out of Program in the College of Engineering
  - c) Integrated Program in Bachelor of Science in Engineering Science and Master of Science in Engineering Science and Mechanics: Change in Name from Bachelor of Science in Engineering Science and Master of Science in Engineering Science in the College of Engineering
  - d) Bachelor of Arts in African American Studies: New Program in the College of the Liberal Arts
  - e) Bachelor of Arts in African Studies: New Program in the College of the Liberal Arts
  - f) Integrated Bachelor of Science and Master of Science in Computer Science: New Program at Penn State Harrisburg

**B. Committee on Audit, Risk, Legal and Compliance**

Vice Chair Lubert reported that a quorum of the Committee on Audit, Risk, Legal and Compliance was present with the following members in attendance: Lubert (vice chair), Peetz and Erickson (ex officio), Deviney, Frazier, Greig, Masser and Surma.

The following subcommittee reports were presented for information:

1. Subcommittee on Legal

Vice Chair Lubert, chair of the Subcommittee on Legal, advised that the subcommittee has been receiving regular updates from the University's legal team with respect to the civil litigation filed against the University relating to the actions of Jerry Sandusky, the related insurance coverage litigation, the ongoing criminal cases involving Mr. Sandusky, Gary Schultz and Tim Curley, the ongoing state and federal investigations and other related legal matters. With respect to civil litigation, two cases have been filed against the University by John Doe A and C. Miller. Neither plaintiff is a victim identified in the Grand Jury Presentments. Both cases have been filed in Philadelphia. The allegations against the University include negligence, negligent supervision, premises liability, intentional infliction of emotional distress and conspiracy to endanger children. Ten additional victims are identified in the Grand Jury Presentments and one other has contacted the University, so we expect additional cases to be filed. At the University's request, the two cases have been stayed pending the criminal proceedings.

Regarding insurance litigation, Penn State has purchased comprehensive and commercial general liability insurance policies from the Pennsylvania Manufacturers' Association Insurance Company from the 1950s to the present. PMA's policies cover, among other things, liability for bodily injury claims and attorneys' fees incurred in defending Penn State against such claims. Penn State tendered the John Doe A claim to PMA in January 2012. PMC has reserved its

rights to deny coverage, but provisionally agreed to provide a defense under PMA's 1991-92 CGL policy. That same day, PMA filed suit against Penn State in the Philadelphia County Court of Common Pleas. In the Philadelphia County Action, PMA seeks a judicial declaration that (1) only one of PMA's policies applies to the Doe A Lawsuit, either its 1991-92 or 1992-93 policy, and (2) if PMA's 1992-93 policy applies, PMA has no duty to defend or indemnify Penn State in the Doe A Lawsuit because of its claim that an "Abuse or Molestation Exclusion" in that policy applies to exclude coverage. Penn State disputes both of PMA's positions as set forth in its lawsuit.

On February 15, 2012, Penn State filed suit against PMA in the Centre County Court of Common Pleas asserting claims for breach of contract and bad faith claims handling. In the Centre County Action, Penn State asserts that (1) all of PMA's policies in effect during the entire time period that John Doe A alleges that he suffered injury due to Sandusky's alleged misconduct apply, (2) it has the legal right to select the insurance policy year that will apply because the Doe A complaint alleges continuing bodily injury over many years, and (3) even if only the 1992-93 PMA policy applies, Penn State's claim for coverage is not excluded by that policy's "Abuse or Molestation Exclusion." The litigation regarding the full extent of PMA's obligations under the policies issued to Penn State remains ongoing.

With respect to state and federal investigations, the State Attorney General and the United States Attorney's Office for the Middle District of Pennsylvania are continuing their investigations into matters relating to the prosecution of Messrs. Sandusky, Schultz and Curley. The University, through its counsel, is fully cooperating with those investigations. Both inquiries are being conducted through the use of investigative grand juries and, for that reason, the confidentiality of those proceedings must be maintained.

The University continues to monitor the criminal actions against Mr. Sandusky, Mr. Schultz and Mr. Curley, which are ongoing.

2. Subcommittee on Audit - John Surma, chair of the Subcommittee on Audit, provided a report on the activities of the subcommittee including its review of:
  - Annual review of Operating Guidelines
  - Chair participation in the meeting of the Penn State Hershey Medical Center Board of Directors Committee on Audit and Compliance which occurs on an annual basis
  - Review of the June 30, 2011 Office of Management and Budget A-133 Reports
  - Review of the Audit Engagements for certain Penn State Subsidiary Corporations
  - Review of the June 30, 2012 External Audit Plan by Deloitte and Touche
  - Enterprise Risk Management Discussion
  - Review of the Subcommittee on Audit Annual Self Assessment
  - Review of Right-to-Know Information and IRS Form 990T
  - Received Internal Audit Update
3. Special Investigations Task Force - Kenneth C. Frazier, chair, provided an update on the activities of the task force. His remarks are included in their entirety:

"Thank you, and good afternoon.

"As the University community and public-at-large is aware, the Special Investigations Task Force of the Board of Trustees has retained Judge Louis Freeh, a former FBI Director and Federal Judge, and his firm to conduct an independent, external investigation into the how the alleged acts noted in the Grand Jury report that came to light in November 2011 could have happened at Penn State, where the breakdowns occurred, who knew what when, and what changes we can make to prevent such anguish in the future.

"Judge Freeh and his team continue to investigate this matter fully, fairly, and completely. They are well into the investigation--fully engaged in reviewing voluminous documents and electronic data, conducting numerous interviews, and pursuing leads. By way of example, to date, the team has conducted over 400 interviews of various individuals, including current and former University employees from myriad departments across the University,

such as academic, administrative and athletic departments, as well as current and past Trustees, and others in the community.

"This investigation continues to be conducted in parallel with, but independent of, several other active investigations by agencies and governmental authorities, and will not interfere with any such other investigations. Judge Freeh and his team have interfaced with those agencies and authorities as appropriate throughout the course of the investigation.

"Additionally, as I previously have reported, besides working to uncover what occurred in the past, Judge Freeh and his team are thoroughly studying, reviewing and testing all of the University's policies, procedures, compliance and internal controls relating to the identifying and reporting of such sex crimes and misconduct. This examination includes, among other things, any failures or gaps in the University's control environment, compliance programs and culture which may have enabled the alleged misconduct to occur, go undetected, and not be reported and addressed promptly and properly.

"During the January Board of Trustees meeting, I announced that Judge Freeh had made some initial recommendations for improving organizational structures and protocols that the Board would review. During the March Board meeting, President Erickson reported on the efforts that the University had taken up to that time towards implementing the interim recommendations, which fall into five categories. As a reminder, these are:

- Strengthening Policies for Programs Involving Minors
- Prompt Reporting of Incidents of Abuse and Sexual Misconduct
- Compliance with the Clery Act's Training and Reporting Requirements
- Administrative Reforms
- Athletic Department - Security Arrangements

"Since the March meeting, the University has taken additional steps toward implementing those interim recommendations, including:

- Hiring a Clery Act Compliance Coordinator to work collaboratively with various offices at the University to develop, implement and oversee programs that ensure the institution's overall compliance with the Clery Act and associated regulations at all campuses, as well as to work with various University offices to ensure compliance with the provisions of the Sexual Assault Victim's Bill of Rights and Drug Free Schools and Safe Campuses regulations; and
- Enacting a significant revision to Administrative Policy 39, which relates to overseeing the supervision and treatment of minors involved in University-sponsored programs or programs housed or held at any Penn State campus.

"The Special Investigations Task Force expects that Judge Freeh will issue additional recommendations within the next month.

"It remains the Board's intention that at the conclusion of Judge Freeh's fully independent work process, the full findings and recommendations will be made public. As I outlined for you in January, those findings will address:

- Failures that occurred in the reporting process;
- The cause for those failures;
- Who had knowledge of the allegations of sexual abuse; and
- How those allegations were handled by the Trustees, PSU administrators, coaches and other staff.

"As I have stated earlier, we understand that answers cannot come soon enough for all concerned, and I assure you Judge Freeh and his team are moving as quickly as possible. However, Judge Freeh's primary emphasis



is on doing the best possible job. While our hope continues to be that the investigation will be completed by the beginning of the next academic year, the timing will be dictated by how long it takes to complete a thorough investigation.

"In closing, let me say on behalf of the Board of Trustees that the victims continue to be at the forefront of our thoughts each day, and, as I have said previously, we sincerely hope that our work can contribute to breaking the silence surrounding sexual violence that appears to have allowed evil to prevail in far too many instances in our society. Thank you."

**C. Committee on Finance, Business and Capital Planning**

Chair Strumpf reported that a quorum of the Committee on Finance, Business and Capital Planning was present with the following members in attendance: Strumpf (chair), Silvis (vice chair), Peetz and Erickson (ex officio), Clemens, Dambly, Garban and Hintz.

Chair Strumpf reported that since the last meeting, the Committee members discussed FY 2013 budget scenarios. She reminded all trustees that they would be voting on the FY 2013 budget at the July meeting.

The Committee on Finance, Business and Capital Planning recommended that the Board of Trustees approve the following resolutions:

1. RESOLVED, That the conditions governing certain existing scholarships, fellowships, awards, and similar funds previously established at the University be revoked and that the Officers of the University are authorized to put into effect the revised regulations as requested by the donors.
2. RESOLVED, That the Board of Trustees gratefully acknowledges the generous contributions of the many friends of the University in support of endowments, funds, and other major commitments as reported to the Committee on Finance and Physical Plant at its meeting of May 4, 2012.

FURTHER BE IT RESOLVED, That the Officers of the University are authorized to convey the Board's appreciation to these generous benefactors who provide opportunities for many students to receive a quality education.

3. WHEREAS, The State of Maryland Higher Education Commission requests a resolution of financial solvency, in accordance with COMAR 13B.02.01.07D(3)(e), from the Board of Trustees of The Pennsylvania State University to submit an Application for Initial Approval of Out-of-State Degree-Granting Institutions to Operate in Maryland. This application is in regard to the offering of University courses and programs via the Penn State World Campus to Maryland residents via online distance education; and

WHEREAS, The Pennsylvania State University is annually audited by the professional services firm Deloitte & Touche LLP; and

WHEREAS, The Pennsylvania State University currently has bond ratings of Aa1 with Moody's and AA with Standard and Poor's,

THEREFORE, BE IT RESOLVED, That the Board of Trustees of The Pennsylvania State University confirms the financial solvency of the University.

4. RESOLVED, That pending adoption of a new budget to reflect clarification of the amount and form of the State appropriation, and subsequent decision regarding the amount of tuition charges, adjustments to salaries, wages, and employee benefits, and provisions for fuel and utilities and other cost increases, the Board of Trustees approves continuation for the interim period beginning July 1, 2012, total budget amounts at the level of the adjusted 2011-12 budget as follows:

	University Park and Other Locations	College of Medicine	Pennsylvania College of Technology	Total University
General Funds	\$1,704,321,000	\$108,193,000	\$98,670,000	\$1,911,184,000
Agricultural Federal Funds	20,624,000			20,624,000
Restricted Funds	551,749,000	90,000,000	18,039,000	659,788,000
Auxiliary Enterprises <sup>a</sup>	330,372,000	4,067,000	24,224,000	358,663,000
<b>Total</b>	<b>\$2,607,066,000</b>	<b>\$202,260,000</b>	<b>\$140,933,000</b>	<b>\$2,950,259,000</b>
<b>Milton S. Hershey Medical Center</b>				<b>\$1,181,958,000</b>
<b>Total Funds</b>				<b>\$4,132,217,000</b>

<sup>a</sup> Includes increase in room and board charges as approved by the Board of Trustees, January 20, 2012.

5. RESOLVED, That the new Career Services Center to be built soon as an addition to the Athletics and Recreation Building at Penn State Wilkes-Barre is named the "Struthers Family Career Services Center at Penn State Wilkes-Barre."

6. RESOLVED, That the final plans for the Main Building Renovation at Penn State Brandywine, as designed by the firm of SMP Architects of Philadelphia, Pennsylvania, are approved.

FURTHER BE IT RESOLVED, That authorization to award contracts to construct the project be approved at a cost of \$9,500,000.

7. RESOLVED, That the existing ground lease dated February 1, 2002 with The Village at Penn State Retirement Community be assigned to Liberty Lutheran Housing Development Corporation, a Pennsylvania non-profit corporation.

FURTHER BE IT RESOLVED, That the lease dated February 1, 2002 be amended to reflect the amended ground lease term sheet presented in Appendix IV.

FURTHER BE IT RESOLVED, That the Officers are authorized and directed to take such steps as are necessary to make effective these resolutions.

8. RESOLVED, That the Board of Trustees approves the sale of a 15.26-acre parcel and an adjoining 25.13-acre parcel, being lots 3 and 4 in the Penn State University Whitehall Road 6 Lot Final Subdivision Plan, located in Ferguson Township, Centre County, Pennsylvania, to Springton Pointe, LP, a Pennsylvania Limited Partnership, which is a wholly owned subsidiary of Toll Bros., Inc. for \$13,500,000.

FURTHER BE IT RESOLVED, That the Officers of the University are authorized and directed to take such steps as are necessary to make effective this resolution.

9. RESOLVED, That in view of the special nature of this project, the interview process has been conducted by the University's Office of Physical Plant.

FURTHER BE IT RESOLVED, That the Officers of the University are authorized to employ the firm of BLT Architects of Philadelphia, Pennsylvania as architects for the Burrowes Building Renovation at University Park

The Board voted to approve the action items as recommended by the Committee on Finance, Business and Capital Planning. [The approval of Action Item C.8 reflects an editorial amendment made at the meeting.]

The Committee received the following items for information:

1. East Campus Steam Plant Generator, University Park
2. Holuba Hall Turf Replacement and Renovations, University Park
3. Naming of Rooms, Portions of Buildings and Plazas
  - a) Name the Pegula Ice Arena Players' Lounge in recognition of a commitment from Harry and Karen Kenney. The recognition plaque should read: *Kenney Family Players' Lounge*
  - b) Modify the name of Room 228, Lasch Football Building, previously named the "John and Tacie Sternbergh Player Development Office to the "John and Tacie Sternbergh Recruiting Coordinator's Office."
  - c) Relocate the "Robert S. Ratner Assistant Coach's Office" from Room 217 Lasch Football Building to Room 215 Lasch Football Building.
  - d) Name the Presentation Practice Room in the Knowledge Commons, Pattee Library, in recognition of a gift from Richard and Sally Kalin. The recognition plaque should read: *Richard and Sally Kalin Presentation Practice Room*
  - e) Name the Knowledge Commons Help Center, Pattee Library, in recognition of a commitment from Mary O'Neill Marsh. The recognition plaque should read: *Mary O'Neill Marsh Help Center*
4. Purchase of Property at 515 Rosedale Avenue, Penn State Harrisburg
5. Sale of Undivided Interest in Waterville Property, Cummings Township, Lycoming County
6. Status of Major Construction Programs and Borrowing
7. Summary and Designation of Gifts Received by the University
8. Resolution Regarding Financial Solvency
9. Report on Status of Commonwealth Appropriations Request
10. A photo report on the progress of selected construction projects was presented including: the Biobehavioral Health Building at University Park, Eva J. Pell Laboratory for Advanced Biological Research at University Park and the Pegula Ice Arena at University Park.

**D. Committee on Governance and Long-Range Planning**

Chair Broadhurst reported that a quorum of the Committee on Governance and Long-Range Planning was present with the following members in attendance: Broadhurst (chair), Surma (vice chair), Peetz and Erickson (ex officio), Arnelle, Clemens, Corbett, Masser, Myers and Shaffer.

Chair Broadhurst reported that the Committee has reviewed and explored its charges since formation in March. The committee is responsible for charging and supporting the chief executive with leading a strategic planning process, participating in that process, approving the strategic plan and monitoring its progress. Other tasks of the committee include 1) reviewing guidelines; 2) expectations for membership; 3) orientation materials for new trustees; 4) engaging in dialogue with the University Faculty Senate Special Committee on University Governance; 5) revisiting term limits for trustees; and 6) the role of emeriti trustees.

1. Update on the Implementation of the "Priorities for Excellence: The Penn State Strategic Plan 2009-10 through 2013-14"

Dr. Robert N. Pangborn, Interim Executive Vice President and Provost of the University, provided an update on the third-year implementation progress of the "Priorities for Excellence," focusing particular attention on the work of the Core Council that was charged to undertake analyses of academic programs and administrative services to find greater efficiencies while enhancing University excellence in an era of increasing financial change.

#### **E. Committee on Outreach, Development and Community Relations**

Chair Dambly reported that a quorum of the Committee on Outreach, Development and Community Relations was present with the following members in attendance: Dambly (chair), Suhey (vice chair), Peetz and Erickson (ex officio), Allan, Deviney, Huber and Jones.

He reported that in late April, Edelman and La Torre Communications was retained to immediately support the University in corporate communications, media relations, and stakeholder engagement. He provided background information regarding the process followed to identify this important partner in our communications engagement.

It was noted that a new website had been developed for the Board of Trustees that will be more interactive and a better resource to obtain information for anyone interested. It will also include a segment on the site that provides an historical timeline of the Board in response to feedback from many constituent groups indicating that there's not a great deal known about the Board or what the Board does.

It was also noted that a Crisis Management Plan was being developed specifically for the Board of Trustees in order to provide guidance or assistance in times of crisis.

#### **Legal Matters**

Vice President and General Counsel Cynthia Baldwin noted that, with respect to The Village at Penn State, the action taken by the Board with respect to the assignment of the ground lease on which the Village is located, brings that work to fruition. It was noted that the licensing agreement for the continued use of the name "Penn State" and the single logo that has previously been used was in the process of being completed and should be concluded by the end of June.

It was noted no further subpoenas have been served to the University itself by the Office of Attorney General, but several employees have been served subpoenas due to the positions that they hold with the University. It was noted that the Board of Trustees, in conjunction with President Erickson, has determined that, although there is no requirement under the *Bylaws*, that they will exercise the discretion as allowed and pay the attorney fees for those employees who choose to be accompanied by an attorney. Eight such requests have been processed.

#### **Informational Report on the University Faculty Senate**

Dr. Daniel R. Hagen, Immediate Past Chair of the University Faculty Senate and Professor of Dairy and Animal Science, provided a report on the activities of the University Faculty Senate for 2011-12.

#### **Proposed Appointment of Members, Board of Directors of The Milton S. Hershey Medical Center**

The Board of Trustees voted to adopt the following resolution:

RESOLVED, That the following individuals are appointed as members of the Board of Directors of The Milton S. Hershey Medical Center for a three-year term ending June 30, 2015:

David M. Joyner  
Edward P. Junker III  
Barry K. Robinson

**Report on the Election of Trustees by Alumni**

The report of the election of Trustees by alumni was presented by Stephanie Deviney (See Appendix I). It was reported that the following candidates, having received the highest number of votes cast, were elected to the Board of Trustees for a term of three years beginning July 1, 2012:

Adam J. Taliaferro  
Anthony P. Lubrano  
Ryan J. McCombie

The report of the results of the election of Alumni Trustees was approved.

**Report on the Election of Trustees by Agricultural Delegates**

The report of the election of Trustees by delegates from agricultural societies was presented by Chairman Karen B. Peetz (See Appendix II). It was reported that the following candidates were elected by the respective societies to the Board of Trustees for a term of three years beginning July 1, 2012:

Donald G. Cotner  
Carl T. Shaffer

The report of the results of the election of Agricultural Trustees was approved.

**Election of Trustees Representing Business and Industry Endeavors**

The Board of Trustees voted to adopt the following resolution:

RESOLVED, That the following individuals are elected as members of the Board of Trustees representing business and industry endeavors for a three-year term beginning July 1, 2012:

Kenneth C. Frazier  
Edward R. Hintz

[The item above was distributed as a white sheet at the meeting.]

The report of the results of the election of Business and Industry Trustees was approved.

**Announcements by the Chairman of the Board of Trustees**

Chairman Peetz in her remarks:

- Congratulated Trustees Frazier, Hintz and Shaffer on their reelection to the Board; and
- Noted that this was the last meeting for several colleagues as Trustees, Mike DiBerardinis, Boots Hetherington, Dave Jones and Anne Riley. She thanked them for their tremendous dedication and loyal service to Penn State and asked each to make a few remarks.

The meeting adjourned at 4:04 p.m.

Respectfully submitted,

Paula R. Ammerman  
Associate Secretary  
Board of Trustees