

THE PENNSYLVANIA STATE UNIVERSITY

BOARD OF TRUSTEES

CONFLICT OF INTEREST DISCLOSURE AND CERTIFICATION

UPDATED SUMMARY REPORT

January 10, 2017

1. All members of the Board of Trustees are required on an annual basis to disclose known “conflicts of interest” under and as defined in the Bylaws and to make certain other disclosures. Except as noted below, all members completed and signed a “Right to Know Law Questionnaire” and a “Conflict of Interest Disclosure and Certification Questionnaire” distributed by the Office of the Board of Trustees. The questionnaires asked members to disclose financial interests and other matters and whether, to his or her actual knowledge, such member had a “conflict of interest” under and as defined in the University’s Bylaws. In response to the questionnaires, the following disclosures were made. In addition, with the consent of the affected trustee, certain disclosures were supplemented by the University based on its records. Note that these disclosures may include matters that are not necessarily “conflicts of interest” under and as defined in the Bylaws but are provided for informational purposes.

Robert Capretto

Mr. Capretto currently owns 30% of Innovation Capital Partners, LP (ICP), which owns 50% of Innovation Park Development Partners, LP (IPDP). IDPD holds development rights to all vacant parcels at Innovation Park (owned by Penn State) and has the right to assign its right to lease parcels from the University to single purpose entities for the purpose of building construction, and compensated by development fees. IDPD is paid a commission from Penn State for collecting land rents on behalf of Penn State from developed properties. Mr. Capretto is due 60% of a \$2.00 per square feet of building fee each time a new building reaches substantial completion. IDPD has these rights for a period of years.

Richard K. Dandrea

The University has engaged the law firm of Eckert Seamans, of which Mr. Dandrea is a member, to provide legal services to the University. Mr. Dandrea is not involved with the matter or with any of the services provided. The University paid no fees to Eckert Seamans during the fiscal year ended June 30, 2016. In addition, Eckert Seamans historically provided certain legal services to St. Joseph’s Medical Center and continues to do so subsequent to the acquisition of St. Joseph’s Medical Center by Penn State Health on July 1, 2015. Such legal fees are being paid by Catholic Health Initiatives, the former parent corporation of St. Joseph’s Medical Center, pursuant to contractual arrangements made in connection with the acquisition of St. Joseph’s.

Valerie Detwiler

Ms. Detwiler owns a greater than 10% equity interest in Golden Rule Equipment LLC, d/b/a Forshays Ag and Industrial. Prior to her election to the Board, the University purchased two items of agricultural equipment for a total of \$92,000 after completion of a bidding process.

Allie Goldstein

Ms. Goldstein holds a graduate research assignment through the Center for the Study of Higher Education. She receives tuition remission and \$18,495 gross pay annually for her graduate assistantship stipend. In addition, Ms. Goldstein received the Martorana Award of \$1,614 for dissertation research.

David Han

Dr. Han is a faculty member and employee of the Milton S. Hershey Medical Center.

M. Abraham Harpster

Mr. Harpster owns a greater than 10% equity interest in Evergreen Farms, Inc., Evergreen Acres, LLC and Spruce Creek Land, LLC. The University enters into transactions from time to time with such entities to purchase and/or sell agricultural related goods and services.

Albert Lord

Mr. Lord has an interest, potentially financial, in the litigation against the University filed by former president Graham Spanier. Mr. Lord's disclosure is as follows:

"I note the following potential "conflict of interest" under and as defined in the Bylaws:

As interpreted by GC Dunham and other knowledgeable senior officials of the Board and University, I have an "interest," potentially financial, in the "Spanier litigation against the University. I am of the view that the University has "interests" other than its purely financial interest, among such interests is making right its wrongs and that such interests dwarf its short term financial exposure. Accordingly, I believe my involvement in the "Spanier" litigation, at least to the date of this certification [August 6, 2016], is in harmony with Penn State's larger interest and not a conflict as intended by the Bylaws.

To date my disagreement with the Board's interpretation and treatment of my "conflict" has been managed by my recusal from hearing reports of the University's position in the matter. For the record, I believe at least one other Trustee has a more consequential conflict and not only does not recuse himself but directs policy."

Ira M. Lubert

Mr. Lubert, who joined the Board of Trustees in September 2007, has a beneficial ownership of more than 10 percent of PSRP Developers, Inc. which owns 101 Innovation Boulevard (Lubert Building) and 103 Innovation Boulevard at Innovation Park.

The University currently has five leases with PSRP Developers, Inc. for space in 101 and 103 Innovation Boulevard. Four of these leases were executed prior to September 2007, but were renewed in August 2008 and March, November and December of 2012. The fifth lease was executed in December 2007 and renewed in June 2012. In aggregate, the five current leases are for 31,891 square feet with base rent and common area maintenance fees of \$787,338 per year. These leases were ratified by the Board of Trustees in September, 2013.

The fifth lease was initiated in May 1, 2004 and, after one five-year renewal, is expiring on April 30, 2014. In November, 2013, the Board approved the exercise by the University of an option to extend this lease for an additional five years until April 30, 2019, at which time the University will again have the opportunity to renew for an additional five years. The extended lease terms for 12,413 square feet in the 101 Innovation Boulevard (Lubert Building) are \$24.25 per square foot or \$301,015 per year for the current year. The lease amount includes the base rent and common area maintenance fees with the base rent being adjusted annually to reflect changes in the Consumer Price Index.

In September 2013, the Board of Trustees approved an additional lease agreement for office space in 101 Innovation Boulevard (Lubert Building) with PSRP Developers, Inc. pursuant to which the University leases 4,196 square feet with base rent and common area maintenance fees totaling \$106,578 per year, beginning in September 2013 and continuing for five years, with three five-year renewal options.

In March 2015, the Board of Trustees approved an additional lease agreement for office space in 101 Innovation Boulevard (Lubert Building) with PSRP Developers, Inc. pursuant to which the University will lease Suite 314 in the Lubert Building. The terms of the lease are for 3,346 square feet at an annual base rent of \$55,209 (\$16.50/square foot) for a three- year term, with five, one-year options to renew.

David Kleppinger

Mr. Kleppinger is a member of McNees Wallace & Nurick, LLC, a law firm that periodically provides legal services to the University. For the fiscal year ended June 30, 2016, such legal fees totaled \$24,477.

William Shipley

Mr. Shipley owns a beneficial interest in Shipley Energy Supplies. The University may from time to time purchase goods and/or services from Shipley Energy Supplies. Mr. Shipley will not be directly involved in any contract transactions between the company and the University.

Governor Thomas Wolf

Governor Wolf disclosed that his gubernatorial campaign received contributions from members of the Board of Trustees and other members of the University community.

3. Except as provided below, all members of the Board signed and delivered to the Office of the Board of Trustees the following acknowledgement together with the completed Conflict of Interest Disclosure and Certification Questionnaire:

“To the best of my knowledge and belief, the above information is true and correct. I have received a copy of the Board’s Conflict of Interest Policy as expressed in Article VIII of the Bylaws, which I have read and understand, and I hereby agree to comply with the Policy.

I further acknowledge that I have received a copy of the Expectations of Membership, as set forth in the Standing Orders of the Board of Trustees, that I have read and understand the Expectations of Membership and that I will fulfill such Expectations, to the extent not inconsistent with applicable law. I understand and acknowledge that my failure to fulfill the Expectations of Membership could cause significant financial, legal or reputational harm to the University, and compromise my ability to serve as a member.”

With regard to the acknowledgement of the Board’s Expectations of Membership, each of Trustees Lubrano, Oldsey and Pope modified his or her Certification Questionnaire prior to submission to delete the following language: “I understand and acknowledge that my failure to fulfill the Expectations of Membership could cause significant financial, legal or reputational harm to the University, and compromise my ability to serve as a member.” Each Trustee added the following language: “I further understand that Trustees have a statutory duty to make reasonable inquiry and that applicable law authorizes Trustees to compel access to corporate information and to publicly disagree with an officer, committee of the board or the full board of the University when knowledge would cause reliance on any of them to be unwarranted.”

4. No members of the Board disclosed that they had spouses and dependent children employed by the University or an affiliated entity whose compensation exceeded \$10,000, except for Trustee Russell Redding, whose spouse, Nina Redding, is employed as a District Director in the Penn State Cooperative Extension program, and Trustee Robert Fenza, whose stepson, Dylan Salmons, is an adjunct professor in the College of Arts and Architecture. Mr. Shipley disclosed that his son-in-law, Andrew Shaffer, is employed by the University’s Applied Research Laboratory.

5. No members of the Board disclosed that they did business with another member of the Board, except for the following: Trustee Mark Dambly is or has been minority investor in funds managed by entities owned or controlled by Trustee Ira Lubert.