

**The Pennsylvania State University
Board of Trustees
October 14, 2016**

Recommendation for Termination of Affiliation Agreement

WHEREAS, The Pennsylvania State University (the "University"), Penn State Health ("PSH") and Pinnacle Health System ("Pinnacle") entered into a Strategic Affiliation Agreement dated as of May 6, 2015 (the "Affiliation Agreement"); pursuant to which the operations of PSH and Pinnacle would be aligned into an affiliated group health enterprise with the University as the sole member of the enterprise (the "Affiliation"); and

WHEREAS, on December 9, 2015, the Federal Trade Commission ("FTC") and the Commonwealth of Pennsylvania, through the Office of the Attorney General (the "AG"), filed a complaint in the United States District Court for the Middle District of Pennsylvania alleging that the Affiliation would violate federal antitrust laws and seeking a preliminary injunction precluding the consummation of the Affiliation pending an administrative hearing before the FTC; and

WHEREAS, on May 9, 2016, the District Court entered an order denying the preliminary injunction and on May 10, 2016, the FTC and the AG filed an appeal with the United States Court of Appeals for the Third Circuit; and

WHEREAS, the Third Circuit issued a stay precluding consummation of the Affiliation pending its review and decision; and

WHEREAS, on September 27, 2016, the Third Circuit entered an order reversing the District Court order and directing the District Court to grant the preliminary injunction, precluding the Affiliation pending the outcome of the FTC's administrative hearing; and

WHEREAS, the administrative hearing is scheduled to commence on October 18, 2016; and

WHEREAS, the Board of Directors of Penn State Health met on October 6, 2016 and, following evaluation, discussion and deliberation of its options, and in consultation with Pinnacle, adopted a resolution recommending that the University Board of Trustees terminate the Affiliation Agreement, thereby discontinuing any need for the administrative hearing to proceed;

THEREFORE BE IT RESOLVED, that the Board of Trustees of The Pennsylvania State University ("Board") hereby accepts the recommendation of the Penn State Health Board of Directors and authorizes the termination of the Affiliation Agreement.

FURTHER BE IT RESOLVED, that the Board hereby authorizes the officers of the University to take such actions and execute and deliver such documents and make such filings as each deems appropriate or desirable to effectuate termination of the Affiliation Agreement.