

MINUTES OF MEETING

BOARD OF TRUSTEES

VOLUME 296

October 14, 2016

A special meeting of the Board of Trustees was held telephonically on Friday, October 14, 2016, beginning at 3:31 p.m.

The following Trustees were present: Lubert (chairman), Dambly (vice chairman), Benson, Casey, Cotner, Dandrea, Detwiler, Goldstein, Han, Harpster, Hoffman, Huber, Jubelirer, Lubrano, Masser, Mead, Metaxas, Oldsey, Potts, Rakowich, Redding, Rivera, Salvino, Schneider, Schuyler, Tribeck, and Weinstein.

Also present by invitation were the Governor's non-voting representative, Shipley; and staff members Andrews, Dunham, Faulkner, Gray, Guadagnino, Hillemeier, Jones, and Poole.

Chairman Lubert called the meeting to order. The roll was called by Jeanie Andrews, Associate Secretary of the Board. Chair Lubert stated that the purpose of the meeting was to vote on the termination of the Strategic Affiliation Agreement dated as of May 6, 2015, among Penn State Health, the University and Pinnacle Health System; he then asked Ms. Andrews to read the resolution into the record:

"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.”

A motion to approve the resolution was provided by Trustee Salvino; a second was provided by Trustee Schneider.

Following discussion, and points of clarification provided by A. Craig Hillemeier, Dean of the Penn State College of Medicine, CEO of Penn State Health Milton S. Hershey Medical Center, and Penn State Health System, and Senior Vice President for Health Affairs; and R. Mark Faulkner, Associate General Counsel, Chair Lubert asked for a roll call vote on the resolution. The vote to accept the resolution passed, 27-0.

There being no other business, the meeting adjourned at 3:41 p.m.

An audio stream of the meeting is available in its entirety at <https://youtu.be/YHE1WjyoHZ0>

Respectfully submitted,

Janine S. Andrews
Associate Secretary,
Board of Trustees