

MINUTES OF MEETING

BOARD OF TRUSTEES

VOLUME 252

September 17, 2010

A meeting of the Board of Trustees was held in the Boardroom of The Nittany Lion Inn, University Park, Pennsylvania, at 9:00 a.m. on September 17, 2010.

The following Trustees were present: Garban (chairman), Surma (vice chairman), Alexander, Arnelle, Broadhurst, Chaiken, Clemens, Deviney, DiBerardinis, Frazier, Hayes, Hetherington, Hintz, Huber, Hughes, Jones, Joyner, Lubert, Masser, Myers, Peetz, Quigley, Redding, Riley, Shaffer, Spanier, Strumpf, and Suhey; Trustees Emeriti Cook, Frey, Huck, Metzgar, Robinson, Wise, Wolff, and Wood; and Governor's Representative Lewis.

Present by invitation were faculty representatives Backer, Hagen, and Landa Pytel; student representatives Lozano, Ragland and Raouda; staff members Ammerman, Baldwin, Bowen, Curley, DiEugenio, Dolbin, Erickson, Foley, Hanes, Horvath, Jones, Kirsch, Mahon, Pangborn, Paz, Poole, Sims, and Weidemann.

Chairman Garban welcomed the University Faculty Senate Officers, Larry Backer, Daniel Hagen, and Jean Landa Pytel; student representatives Jonathan Lozano, Christian Ragland, and Mohamed Raouda; Academic Leadership Chair Henry C. Foley; and administrative fellows Christina MacGill and Barbara Sims.

Chairman Garban also introduced new staff members Thomas J. Penkala, Assistant Director of the Board of Trustees Office; and Carmella Mulroy-Degenhart, Executive Administrative Assistant to the President. Carolyn Dolbin, Executive Administrative Assistant to the President, will retire effective September 30, following 44 years of service. A Penn State mantle clock was presented in appreciation of her loyal and devoted service.

It was voted to approve the minutes of the meeting of the Board held on July 9, 2010.

State-of-the-University Video

Dr. Spanier made introductory comments and they are included in their entirety:

"Good morning. As you know we have a very tight schedule today, so my oral report will be brief.

"This has been a remarkable stretch for Penn State's research enterprise, which is approaching \$800 million a year in expenditures.

"Highlighting the effort is a \$129 million grant to make buildings more energy efficient. This is the largest grant in Penn State's history and is believed to be the largest in the history of the Commonwealth. It will be used to create an Energy Innovation Hub at the Philadelphia Navy Yard. In addition to the \$129 million in funding from the U.S. Department of Energy and other federal sources, the Commonwealth of Pennsylvania pledged an additional \$30 million for the project.

"Penn State Hershey has been in the headlines with their recent research on insomnia. The study indicates that men with insomnia have a higher risk of an early death. As a result of this report, my daughter helpfully suggested that I step up my evening speaking engagements--in an effort to cure the insomnia problem in my audiences.

"Penn State's College of Medicine has received one of the largest grants in its history, with a \$54 million grant for asthma research. Penn State Hershey will partner with the National Institute of Health's AsthmaNet to address the most important asthma management questions and develop new treatment approaches in pediatric and adult populations.

"Penn State Hershey has also expanded their ability to serve the region with the recently opened Rehabilitation Hospital. This 64,000 square foot, 54-bed hospital represents a major milestone in the growth of the Medical Center.

"In addition, Penn State Hershey Medical Group has established a strong presence in State College with Walk-in Clinics at the Centre Medical Services Building and the Windmere Center at Rolling Ridge Drive.

"Locally, State College has been ranked second in the U.S. in best college towns, according to the American Institute for Economic Research. State College was among the leaders in research capacity, entrepreneurial activity, creative class and cost of living. Incidentally State College is second to the windy, frozen tundra to the north, also known as Ithaca.

"Fall is always a wonderful time to be on campus with our new and returning students. I'm enjoying my return to the classroom as I teach the second year class of the Presidential Leadership Academy. It is a privilege to spend time with our bright, ambitious students, and this fall we'll be venturing to Pittsburgh for a field trip to be hosted by John Surma.

"We will review final admissions and enrollment numbers at the November board meeting, but for now I have a brief summary of this year's admissions cycle. As expected we will end up at about 115,000 applications for admissions. This makes it another record setting year in nearly every category. Some of the biggest increases, compared to last year, were in graduate applications, which were up 11 percent; Dickinson School of Law applications were up 31 percent; and Medical School applications were up seven percent.

"Move-in weekend went without a hitch, and as I do each year I stayed in the residence halls for two nights. It was a fantastic experience, but I have moved out of supplemental housing back to Schreyer House, much to the disappointment of my wife.

"We are now focusing on the 2011 admissions cycle, which is well underway. We have already received more than 3,000 applications for admission in only two weeks, and over the summer we had a steady stream of visits by prospective students. The response to our Spend a Summer Day and our tours is overwhelmingly positive.

"For example, I recently received an email from an out-of-state father who wrote, 'When we visited PSU on July 28th, I was totally blown away. We have been to several other campus tours and open houses, and yours was hands down the best.' He went to describe the knowledge and friendliness of the volunteers, students, presenters, alumni and even the shuttle bus driver. And he emphasized the beauty and cleanliness of our campus. By the way, you know you're getting old when the FATHERS are using the expression 'totally blown away.'

"I now want to present my 2010 State of the University address. This is the fifth year we've done it in video format, and each year I am always pleased with the interest of the tens of thousands of viewers via DVD, the Web, the Big Ten Network, WPSU-TV, cable TV, and Video on Demand across Pennsylvania. This audience is in sharp contrast to the more limited numbers of people who were able to attend my State of the University address in Eisenhower Auditorium, even with the promise of free Creamery Ice Cream afterwards.

"In addition to enabling us to better showcase our campuses and university community, it is clear that video is the preferred method for reaching a wide audience. Over 100 million people watch videos online each month, and Penn State is No. 1 among our peers for video searches on YouTube, Google and other popular video sites.

"This year we are doing something different again, producing four separate, short videos focusing on Penn State's people--students, faculty, staff and alumni. For you this morning we will show them in sequence with only one introduction.

"Before we begin, I'd like to recognize a few members of the team behind the State-of-the-University address. Penn State Public Broadcasting's Topher Yorks served as senior producer and director, Chris Kugler as videographer, Cole Cullen as editor, Mickey Klein handled the audio, Mike Giannelli was the production intern and Karen Wing, from the President's office, was associate producer.

"And now I hope you enjoy my 2010 State of the University address."

Dr. Spanier presented the 2010 State-of-the-University address in a video that highlighted the accomplishments of the previous year and the University's priorities for the coming year. The presentation is available by visiting: <http://president.psu.edu/sou/articles/sou2010.html>

Informational Report on Alcohol Mitigation Efforts

Damon Sims, Vice President for Student Affairs, provided a broad overview of a comprehensive new strategy designed to mitigate alcohol misuse among our students and the consequences of that misuse. Panelists representing key elements of this year's many new initiatives joined Vice President Sims:

Joseph Puzycki, Assistant Vice President; Student Affairs
Linda LaSalle, Associate Director; Educational Services, University Health Services
Max Wendkos, President; Interfraternity Council
Tom Fontaine, State College Borough Manager

Reports from Standing Committees

A. Committee on Campus Environment

Chair Hughes reported that a quorum of the Committee on Campus Environment was present with the following members in attendance: Hughes (chair), Garban and Spanier (ex officio), Alexander, Deviney, DiBerardinis, Hetherington, Huber, Redding, and Suhey. There were no recommendations for action to present to the Board of Trustees.

Chair Hughes reported that since the last meeting, the Committee had an opportunity to meet with selected members of the State College Borough Council to discuss items of mutual interest.

B. Committee on Educational Policy

Chair Joyner reported that a quorum of the Committee on Educational Policy was present with the following members in attendance: Joyner (chair), Garban and Spanier (ex officio), Arnelle, Frazier, Hayes, Jones, Myers, Peetz and Riley.

Chair Joyner reported that since the last meeting, the Committee had an opportunity to meet with members of the Faculty Senate and they engaged in some robust discussions.

The Committee on Educational Policy recommended that the Board of Trustees approve the following resolution:

1. RESOLVED, That the Board of Trustees approves President Graham B. Spanier's appointment of Dr. David L. Hall as Dean of the College of Information Sciences and Technology effective September 20, 2010.

The Board voted to approve the action item as recommended by the Committee on Educational Policy. Dean Hall made brief comments to the board.

C. Committee on Finance and Physical Plant

Chair Strumpf reported that a quorum of the Committee on Finance and Physical Plant was present with the following members in attendance: Strumpf (chair), Masser (vice chair), Garban and Spanier (ex officio), Broadhurst, Chaiken, Clemens, Hintz, Lubert, and Surma.

Chair Strumpf reported that since the last meeting, the Committee had the opportunity to receive information on deferred maintenance and capital renewal.

The Committee on Finance and Physical Plant 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 September 17, 2010.

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 Board of Trustees on November 6, 1986, adopted a resolution regarding the University's Endowment Spending and Investment Policies for Endowment and General University Funds and subsequently approved revisions on March 18, 1995; July 12, 1996; September 8, 2000; November 22, 2002; May 18, 2007; and September 11, 2009; and

WHEREAS, The Officers of the University have recommended an amendment of such policies as hereinafter set forth.

NOW, THEREFORE, BE IT RESOLVED, That the University's Endowment Spending and Investment Policies for Endowment and General University Funds be changed as follows:

(1) Chairman, Executive Director, Office of Investment Management, and five to nine non-University members (at least one of whom shall be a member [either voting or emeriti] of the Board of Trustees), each serving three-year staggered, renewable terms, is hereby authorized to administer the spending and investment policies hereinafter adopted by the Board of Trustees and to report periodically concerning the same to the President of the University and to the Committee on Finance and Physical Plant of the Board of Trustees. In such administration, the Investment Council may delegate appropriate functions to properly designated University Officers and other University Personnel.

(2) That in order to preserve the purchasing power of endowment and endowment-like funds, spending from each such fund over time should be limited to a percentage of the market value of such fund, set at a level anticipated to preserve over time the funds real (inflation-adjusted) value after consideration of investment returns.

(3) That endowment and endowment-like funds should be invested to attempt to achieve a real (inflation-adjusted) total return over time sufficient to support a spending rate limited in accordance with (2) above, while providing for growth of the endowment base sufficient to accommodate an assumed rate of inflation.

(4) That endowment and endowment-like funds (e.g., the Long-Term Investment Pool) should be invested primarily by independent investment managers selected by the Investment Council. A primary investment attribute to be employed in managing the Long-Term Investment Pool shall be prudent diversification achieved through flexible yet disciplined implementation of a mix of investments and strategies. Among these shall be: Fixed Income investments (principally U.S. Treasury notes, government agency obligations, and investment grade corporate bonds), which shall comprise no less than 15% of the Long-Term Investment Pool; Equity investments (principally global market-traded equities, hedged strategies, and private equity investments); and Real Assets investments (principally real estate, timber, energy,

and commodity investments). The specific construction of the portfolio with regard to strategies employed and managers utilized will be determined by, and under the overall supervision of, the Investment Council, which shall be guided by its written Investment Policies, Objectives and Guidelines. Investment processes and results shall be carefully monitored by the Investment Council to insure compliance with such policies, objectives, and guidelines. For comparative purposes, the results of other professionally-managed funds, market benchmarks, and other customized performance standards deemed appropriate shall be considered. A detailed investment report shall be made to the Board of Trustees semi-annually.

(5) In performing its duties delegated under this resolution, the Investment Council shall be guided solely by fiduciary principles. The Council shall consider only financial criteria in formulating investment policies or in proxy voting unless specifically directed to do otherwise in a definitive manner by the Board of Trustees.

(6) Non-Endowed University funds should be invested to provide liquidity for working capital over the annual operating cycle of the University, and to serve the interim and longer term needs of the University for plant renewals and replacements, debt service and capital additions. Non-Endowed funds will be invested in a manner that emphasizes capital preservation and meets the cash flow requirements of future University liabilities, while achieving modest growth in the principal value to accommodate future inflation. For current working capital and short-term investments, maturities of securities shall not exceed 13 months per money market fund guidelines and will generally be 90 days or less. Typical instruments include money market funds, certificates of deposit, U.S. government/agency securities, repurchase agreements, and high quality commercial paper. Intermediate and long-term asset categories will be invested principally in readily marketable investment grade securities. Non-physical derivatives are not permitted for speculative purposes. For long-term assets approved for commingling with the University's Long-Term Investment Pool (LTIP) by the Board of Trustees, such investments will follow LTIP policies overseen by the Penn State Investment Council.

(7) With the prior approval of the Chairperson, or in the absence of the Chairperson, the Vice Chairperson of the Committee on Finance and Physical Plant, the Investment Council is authorized to make interim revisions in the above-mentioned policies, subject to subsequent review and approval by the Board of Trustees of substantive revisions.

4. RESOLVED, That the following eight non-University employees of the Penn State Investment Council are appointed for terms ending:

2011 - **Arthur D. Miltenberger**, Vice President and Chief Financial Officer (Retired), R. K. Mellon & Sons (Ligonier, PA)

J. David Rogers, Chief Executive Officer, J.D. Capital Management (Greenwich, CT)

2012 - **Timothy J. Crowe**, Managing Director, Anchor Point Capital LLC (Coral Gables, FL)

Edward R. Hintz, Jr., President, Hintz Capital Management, Inc. (Chatham, NJ)

Gary C. Schultz, Senior Vice President for Finance and Business/Treasurer Emeritus, The Pennsylvania State University (State College, PA)

2013 - **Carmen Gigliotti**, Managing Director, Private Equities of DuPont Capital Management (Wilmington, DE)

Colleen Ostrowski, Vice President and Treasurer, ITT Corporation (Scarsdale, NY)

Linda B. Strumpf, Chief Investment Officer, The Helmsley Charitable Trust (New York, NY)

5. RESOLVED, That the proposed land lease of 1.8 acres to the Mount Nittany Medical Center for a period of 60 years at a single prepaid sum of \$1.00 is approved, contingent upon Mount Nittany Medical Center agreeing to lease 1.0 acres of land to the University for a period of 60 years at a total prepaid sum of \$1.00.

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

6. RESOLVED, That the Officers of the University are authorized to submit to the Legislature, appropriate departments, and offices of the Commonwealth of Pennsylvania, a State Appropriation Request for fiscal year 2011-2012 in the amount of \$364,200,000.

7. RESOLVED, That the final plans for the Beaver Stadium Accessibility Renovations, as designed by the firm of Moody Nolan, Inc. of Columbus, OH, are approved.

BE IT FURTHER RESOLVED, That authorization to award contracts to construct the project be approved at a cost of \$10,000,000 from funds available to the University.

The Board voted to approve the action items as recommended by the Committee on Finance and Physical Plant.

The Committee received the following items for information:

1. Davey and Osmond Lab Transformer Replacement, University Park
2. Fire Alarm Replacement in Various Buildings, University Park
3. Mass Spectrometry Lab at Hosler Building, University Park
4. Elevator Two-Way Communications - Final Phase, University Park
5. Gymnasium Addition, Penn State Beaver
6. East Addition Office Renovation, The Milton S. Hershey Medical Center
7. Naming of Rooms, Portions of Buildings and Plazas
 - a) Several Spaces within the Study Learning Center at Penn State Worthington Scranton as follows:
 - 1) The Student Success Center for a commitment from David and Ann Hawk.
 - 2) A conference room for a commitment from Penn State Worthington Scranton Alumni Society.
 - 3) The Career Reference Area and Career Services Office for a commitment from Eric and Mary Anne Linde.
 - 4) Health Services in honor of the Scranton Family for a grant from the Willary Foundation.
 - 5) The Psychological Counseling Room for a commitment from Lynn E. Moran.
 - b) The basketball facility in the Physical Education Building at Penn State Hazleton for a gift from retiring athletic director Dr. Tom Caccese.
 - c) Several spaces in the Lasch Football Building as follows:
 - 1) Graduate Assistant's Office, 222 Lasch Football Building, for a commitment from TBJ, Inc.

- 2) Academic Counselor's Office, 123 Lasch Football Building, for a commitment from Joe and Mary Anne Matyaz.
 - 3) Hydro Therapy Area, 109B Lasch Football Building, for a commitment from James and Joanne McCormick.
 - 4) Tutoring Room, 131 Lasch Football Building, for a commitment from James Packer.
 - 5) Academic Counselor's Office, 125 Lasch Football Building, for a commitment from Kent Pearce.
- d) Assistant Coach's Office in the Nittany Lion Softball Park, for a commitment from Art Nagle.
8. Purchase of Port Property, Penn State Harrisburg
 9. Capital Budget Request for Fiscal Year 2011-2012
 10. Status of Major Construction Programs and Borrowing
 11. Summary and Designation of Gifts Received by the University
 12. Capital Plan Update
 13. Update on the Status of Borrowing and Remaining Debt Capacity
 14. Investment Review of Endowment and Similar Funds as of June 30, 2010
 15. Photo Report on Selected Construction Projects
 - a) Children's Hospital - Penn State Hershey
 - b) Millennium Science Complex - University Park
 - c) Beaver Stadium - University Park
 - d) Pavilion Theater - University Park
 - f) Improvements in over 100 classrooms
 - g) Projects at University Park and other campuses to include Mont Alto, Worthington/Scranton, and Greater Allegheny

Legal Matters

Vice President and General Counsel Cynthia Baldwin introduced Amy McCall, Assistant General Counsel.

Further, she reported that a cease and desist letter was sent to Ultrinsic Motivator, Inc. on August 24, 2010. Ultrinsic Motivator, Inc. has a website which purports to offer students an opportunity to place wagers on their future grades. Participating students are required to agree to the terms of use. Part of that agreement is giving Ultrinsic Motivator, Inc. the user ID and Password to their personal account at Penn State. This is a violation of Penn State policy and endangers the student by giving a stranger access to their personal information.

Revision to the Bylaws of the Board of Trustees

The Board of Trustees approved the following resolution:

RESOLVED, That *Bylaws*, Article 6., Conflict of Interest, be revised to read as follows:

ART. 6. CONFLICT OF INTEREST

- (1) Disclosure of Potential Conflict of Interest by Members of the Board of Trustees:

Members of the Board of Trustees: Members of the Board of Trustees stand in a fiduciary relationship to the University which reposes special confidence in each member. Members of the Board of Trustees shall act in good faith, with due regard to the interests of the University, and shall comply with the fiduciary principles of conduct hereinafter set forth in addition to any other federal or state reporting requirements.

(a) Contracts and Transactions with University:

1. No member of the Board of Trustees, any member's spouse or any corporation, partnership, association or other organization in which one or more members of the Board of Trustees, or any member's spouse or dependent child has a beneficial ownership of ten (10%) percent or more, shall enter into any contract or transaction valued at \$10,000 or more with the University unless the contract has been awarded through an open and public bidding process, in accordance with University Purchasing Policy, or has been fully disclosed to the Board of Trustees and approved by the affirmative votes of a majority of the disinterested members of the Board of Trustees. Full disclosure shall mean disclosure of the material facts as to the relationship or interest of the member or members of the Board of Trustees, or spouse or dependent child of such member or members, and disclosure of the material facts as to the contract or transaction, including a sole source justification. Approval by a majority of disinterested members of the Board of Trustees shall be valid even though the disinterested members are less than a quorum. The member or members interested in the contract or transaction may be counted in determining the presence of a quorum, may briefly state a position on the contract or transaction, and may answer pertinent questions concerning the contract or transaction, but such member or members shall not vote on the matter. The minutes of the meeting shall reflect that disclosure was made, the abstention from voting by the interested member or members and the approval by a majority of disinterested members. A record of such contracts or transactions shall be maintained in the office of the senior vice president for finance and business and shall be available for inspection by members of the Board of Trustees.
2. A contract or transaction valued at less than \$10,000 between the University and one or more members of the Board of Trustees, or any member's spouse, or between the University and any other corporation, partnership, association or organization in which one or more members of the Board, or any member's spouse or dependent child has a beneficial ownership of ten (10%) percent or more, shall be subject to disclosure, but shall not be subject to bidding requirements and need not be approved by the Board of Trustees. Disclosure of such contracts and transactions shall be made annually by written report to the Board of Trustees, which report shall include a certification by the appropriate officers of the University that such contracts or transactions were made in the normal course of business and were fair to the University.
3. A contract or transaction between the University and one or more members of the Board of Trustees, or any member's spouse, or between the University and any other corporation, partnership, association or other organization in which one or more members of the Board, or any member's spouse or dependent child, has a beneficial ownership of ten (10%) percent or more, which was made before any such member assumed office as a member of the Board, and which remains to be performed, in whole or in part, at the time of assumption of office as a member of the Board, shall be subject to the disclosure requirements of Section (1)(a) 2 of this Article but shall not be subject to approval by the Board of Trustees.
4. In addition, a record of all spouses, children and family members of members of the Board of Trustees who are employed by the University and whose compensation exceeds \$10,000 per tax year shall also be maintained in the office of the senior vice president for finance and business and available for inspection by members of the Board of Trustees.

- (b) Misuse of Information: No member of the Board of Trustees shall for personal gain or for the gain of others use any information not available to the public at large and obtained as a result of service to the University.
- (c) Gifts and Favors: No member of the Board of Trustees shall solicit or accept for personal use or for the use of others any gift, loan, gratuity, reward, promise of future employment or any other thing of monetary value based on any understanding that the vote, official action or judgment of the member would be influenced thereby.

(2) Disclosure of Potential Conflict of Interest by Employees of the University:

Employees of the University shall exercise the utmost good faith in all transactions touching upon their duties to the University and its property. In their dealings with and on behalf of the University, they shall be held to a strict rule of honest and fair dealings between themselves and the University. They shall not use their positions, or knowledge gained therefrom, in such a way that a conflict of interest might arise between the interest of the University and that of the individual. Employees shall disclose to the administrative head of the college or other unit in which they are employed, or other appropriate superior officer, any potential conflict of interest of which they are aware before a contract or transaction is consummated. This Bylaw shall be published to the University community at least once annually.

Approval to Grant Honorary Degrees

The Board of Trustees approved the following resolution:

RESOLVED, that the Board of Trustees approves the granting of the Honorary Doctorate of Science to Norman R. Augustine; the granting of the Honorary Doctorate of Humane Letters to Ronald Ehrenberg and to Wolf Blitzer; and the granting of the Honorary Doctorate of Laws to Linda Greenhouse at upcoming commencement ceremonies.

Election of Officer

Chairman Garban noted that Dr. Graham B. Spanier, Secretary of the Board of Trustees, nominated Carmella Mulroy-Degenhart (replacing Carolyn A. Dolbin) as Assistant Secretary of the Board of Trustees, effective October 1, 2010, to serve until the annual election in January 2011. There being no further nominations, ballots were distributed.

Carmella Mulroy-Degenhart was elected Assistant Secretary of the Board of Trustees.

Announcement by the Chairman of the Board of Trustees

Chairman Garban called on Dr. Spanier for announcement of a historic gift, the Pegula gift, to Penn State and to Athletics. A copy of his remarks are included in their entirety:

"This has been a year of landmarks in the history of Penn State philanthropy. We publicly launched our most ambitious fundraising initiative to date, *For the Future: The Campaign for Penn State Students*. Inspired by the campaign's vision, more donors committed gifts to the University and we received more total support than ever before.

"Today I have the honor of announcing a new turning point for Penn State, made possible by an unprecedented act of philanthropy. Terrence M. and Kim Pegula, who have joined us here, have committed the largest private gift in the University's history to fund a state-of-the-art, multi-purpose arena and help to establish an NCAA Division I men's hockey program—a total of \$88 million in support.

"The Pegulas' unparalleled generosity will make it possible for Penn State to serve our region and our student-athletes in exciting new ways. This arena--the only major rink within an 80-mile radius and on par with the best collegiate facilities in the country--will be an invaluable asset for members of the University community as well as for children, youth and families throughout central Pennsylvania, and it will be an engine for economic growth and development.

"The facility will include two ice sheets and other features that will allow it to be used for a broad range of campus and community activities: public skating sessions, camps for youth, high school hockey programs and other recreational clubs and events, as well as new training and performance opportunities for Penn State's popular and successful figure skating club.

"The Pegulas' gift will also help us build a program that extends our rich tradition of preparing student-athletes for success in competition and in life. With their endowed support, we will be able to enter men's NCAA Division I hockey competition in 2012-13. The launch of Penn State's program will lead to additional competition within the Big Ten, and that has the potential to transform college hockey in this country. We also plan to launch a Division I women's ice hockey program that will make its home in the facility.

"Our goal is to make this arena, and the vast array of activities to be held in it, the national model by which all other programs are measured—a goal inspired and made possible by the vision and passion of Terry and Kim Pegula.

"The Pegulas, who live in Boca Raton, Florida, have been leaders in the oil and natural gas industry primarily in the Appalachian Basin. Terry was the founder, president, CEO and principal shareholder of East Resources Inc., a privately-held independent exploration and development company based in Warrendale, Pennsylvania, and acquired in July 2010 by Royal Dutch Shell. He earned his bachelor of science degree in petroleum and natural gas engineering from Penn State in 1973, started East Resources in 1983 and built it into one of the largest privately held companies in the United States.

"Kim Pegula, a graduate of Houghton College, also has been involved with East Resources since 1991 and is a founder, along with her husband, of Black River Music Group in Nashville, and Ayrault Sports Agency in Charlotte, North Carolina.

"Please join me in welcoming and thanking the Pegulas, who would like to say a few words about their commitment to Penn State and to the families and communities that will benefit from this new landmark in philanthropy."

Dr. Spanier called on Terrence M. Pegula to make remarks. A copy of his remarks are included in their entirety:

"Graham, you just stole half of my speech. Now, I've got to reorganize. This project started approximately, late 2006. One evening I had dinner with a gentleman by the name of Joe Battista, I think most of the people in this room know who Joe is. The topic of conversation quickly turned to hockey. I obviously knew who Joe was, he didn't know a lot about what my passions were, so I told him about my extreme interest in hockey and I said, 'Joe, why doesn't Penn State have a Division I hockey team?' and Joe said, 'Well, you know, money for this University doesn't fall out of the sky from Harrisburg.'

"He said, 'Let me tell you how things are generally done. We need a lead gift that will spawn additional gifts to fund a state of the art facility and bring Penn State into the Division I hockey world.' I said to Joe, 'Why don't I work with the athletic department on this thing and see what we can do to raise money for this?'

"I think it was the next day I get a text message from Mr. Curley. I quickly realized after about a half dozen meetings with Tim and Rod Kirsch that the gift required to pull this project off was going to be substantially higher than I had anticipated. Matthew 6 tells us, 'Do not lay up for yourselves treasures on Earth, but lay up for yourselves treasures in Heaven.' And I thought long and hard about whether to spend this much money for a treasure on Earth. And then, I thought about the years that I had spent as a rink rat with my oldest son, learning to skate, to play hockey, helping to coach his hockey team and I got my answer. I remember the character we built in our young players. Our nine and ten year olds wore a collared shirt and tie to the games. We taught them how to win and we taught them how to be young gentlemen.

"One thing led to another, several more meetings, with Tim and Rod in the summer of 2008 and then I finally got to meet Dr. Spanier. I was a little apprehensive about what was going to happen in that meeting, because I didn't know where Graham's passions lie, and I can tell you this: In that meeting and subsequent meetings, not only was he supportive, but he was pushy. Graham, I got to admit, you make a heck of a Nittany Lion, twirl one hell of a baton, and you are a good camper at Paternoville, but you are an even better University President.

"So, the summer of 2010 comes, and I befriend a guy named Cliff Benson, who on the very day that he retired as a partner at Deloitte & Touche in Pittsburgh, I called him up, I think it was at noon and I said, 'Cliff, are you looking for something to do in your retirement?' and he said, 'You've got to be kidding me.' I said, 'This thing with Penn State. I live in Florida, I've got an office in Denver, I've got an office in Pittsburgh, I've got an office in West Virginia, plus, I spend half my time chasing my sixteen year old daughter around the country playing tennis, if left to me, it's never going to get done.' He very graciously took the project on and brought the ink to the paper along with the people at Penn State.

"So, I want to thank Graham, Tim, Rod, Joe Battista and Cliff for helping this project come to fruition. I want to thank my wife, Kim, who has supported me through these years.

"And, yesterday, I want to tell you that, this is exciting to me, I went to the Penguin's Summer Sticks Charity Golf Outing and Cliff introduced me to all of the people in the Penguins, from Mario on down, from the coach on down, and to a man, I couldn't believe, they knew who I was, they knew what was going on, asked if the rumor was true, and they were so excited for Penn State and for what they perceived would be great things, for not only Penn State, not only Pennsylvania, but for American hockey. And, I thought that was just awesome. And then, at the end of the golf outing, while signing these jerseys for my daughter, a guy named Sidney Crosby, shook my hand and he said, 'Mr. Pegula, I know what you are doing, thank you for helping hockey.' And I thought that was awesome.

"So, maybe someday, in these hills of Pennsylvania, we're going to find a Pennsylvania Crosby, who will learn to skate at Penn State and play junior hockey here, youth hockey here, and hopefully, he'll play hockey for Penn State, and I think that's awesome, don't you? Thank you."

The meeting adjourned at 11:53 a.m.

Respectfully submitted,

Paula R. Ammerman
Associate Secretary
Board of Trustees