

- 1. **Roll Call**
- 2. **Approval of the Minutes of Previous Meetings**

Will the Board of Trustees approve the minutes of the meeting of the Board held on July 22, 2016?

- 3. **President's Report**
- 4. **Provost's Report**
- 5. **Reports from Standing Committees**

Discussion of action and/or information items by the Standing Committees for consideration by the Board of Trustees:

A. Committee on Academic Affairs and Student Life – M. Abraham Harpster, Chair

- 1) **Discussion of Consent Agenda Items Provided for Information or Approval of the Committee on Academic Affairs and Student Life:**

Information Items –

- a) Information on Graduate Programs

(See Appendix I)

B. Committee on Audit and Risk – Walter C. Rakowich, Chair

C. Committee on Compensation – Paul H. Silvis, Chair

- 1) **Presidential Compensation**

The Operating Guidelines for the Committee on Compensation provide that on an annual basis the Committee on Compensation will recommend to the Board of Trustees, based upon an evaluation of performance goals and objectives, the President's annual compensation, including salary and incentive compensation if applicable.

Will the Board of Trustees adopt the following resolutions:

WHEREAS, The Committee on Compensation has reviewed the Presidential performance goals and objectives as well as market and equity considerations; and

WHEREAS, The Committee on Compensation recommends annually to the Board of Trustees consideration of salary adjustments to the President's salary based upon the President's performance in light of established goals and objectives;

THEREFORE BE IT RESOLVED, That the Board of Trustees approves the salary terms for Eric J. Barron as recommended by the Committee on Compensation and presented to the Board of Trustees in executive session.

D. **Committee on Finance, Business and Capital Planning** – Daniel S. Mead, Chair

1) **Discussion of Consent Agenda Items Provided for Information or Approval of the Committee on Finance, Business and Capital Planning:**

Information Items –

- a) Naming of Rooms, Portions of Buildings, and Plazas
- b) Status of Major Construction Programs and Borrowing
- c) Capital Budget Request
- d) Summary and Designation of Gifts Received

Action Items –

- e) Summary of Revised Funds
- f) Summary and Acknowledgement of New Funds and Major Commitments

(See Appendix II)

2) **Appointment of Non-University Employees to the Penn State Investment Council**

In September 2000, Penn State's Board of Trustees established the Penn State Investment Council to provide direct oversight of the University's endowment and long-term investment program. The Penn State Investment Council, appointed by the Board of Trustees, includes the: Senior Vice President for Finance and Business/Treasurer of the University (Chair); Chief Executive Officer, Office of Investment Management; and five to nine non-University members (at least one of whom is a voting or emeriti member of the Board of Trustees). The terms are staggered as follows:

2016

Carmen J. Gigliotti, Managing Director (Retired), Private Equities, DuPont Capital Management (Wilmington, DE)

Colleen Ostrowski, Senior Vice President and Treasurer, Mylan (New York, NY)

2017

Gary A. Glynn, President and Chief Investment Officer (Retired), U.S. Steel & Carnegie Pension Fund

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

2018

Blake Gall, President, MicroPlusPlus Investment Management (Boalsburg, PA)

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

Joseph B. Markovich, Managing Director, J.P. Morgan Private Bank (New York, NY)

It is proposed to re-appoint Carmen J. Gigliotti and Colleen Ostrowski, non-University Employees, to membership with terms expiring in 2019.

Will the Board of Trustees adopt the following resolution:

RESOLVED, That Carmen J. Gigliotti and Colleen Ostrowski, non-University employees, are appointed to the Penn State Investment Council for terms ending in 2019.

3) **Consideration of Request for 2017-2018 Appropriation for Operations**

Will the Board of Trustees adopt the following resolution:

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 2017-2018 in the amount of \$350,452,000.

4) **Proposed Final Plan Approval and Authorization to Expend Funds, Chemical and Biomedical Engineering Building, University Park**

Fenske Laboratory, located near the intersection of Shortlidge and Curtin Roads, will be demolished and a new state-of-the-art research and instructional laboratory building will be built on the same site.

Fenske Laboratory and Hallowell Building currently house the Departments of Chemical Engineering and Biomedical Engineering, respectively. Hallowell Building is too small for the growing Biomedical Engineering Department. Hallowell was not designed for biomedical research, and is remote from the other related life science and engineering disciplines in the core of campus. The Fenske Laboratory is inadequate for Chemical Engineering, another interdisciplinary department. The building is outdated for teaching modern Chemical Engineering and is too small for the current enrollment.

The building was singled out by ABET, the organization that accredits university engineering programs, seven years ago as being sub-standard and considered a threat to our continued accreditation. Further, Fenske's design does not make full use of its ideal site in the core of the scientific precinct of campus. It is not feasible to upgrade and expand Fenske Laboratory through renovation, so it was determined to replace it.

Both Chemical Engineering and Biomedical Engineering can be accommodated on the site with room for growth in the future, thus not only optimizing usage but also laying the foundation for strengthening the two departments and elevating their national and international standing, and formal ranking. These engineering disciplines complement one another and academic and research synergies will result through their co-location.

The new 193,000 square foot building will house classrooms, a large lecture hall, and offices for the chemical engineering and biomedical engineering departments. Laboratory suites will support research clusters and sharing of resources.

Will the Board of Trustees adopt the following resolutions:

RESOLVED, That the final plans for the Chemical and Biomedical Engineering Building at University Park, as designed by the firm of HOK of New York, New York, are approved.

FURTHER BE IT RESOLVED, That authorization to expend funds and award contracts to accomplish the project be approved at a cost of \$144,000,000.

5) **Proposed Final Plan Approval and Authorization to Expend Funds, Research Building West HVAC Renovations, University Park**

The University intends to renovate portions of Research Building West, located on West Campus, near Atherton Street. Project scope includes energy efficiency improvements, heating, ventilation and air conditioning (HVAC) upgrades, lab recirculation corrections, controls upgrades and other mechanical and lighting improvements.

Will the Board of Trustees adopt the following resolutions:

RESOLVED, That the final plans for Research Building West HVAC Renovations at University Park, as designed by The Efficiency Network of Pittsburgh, Pennsylvania, are approved.

FURTHER BE IT RESOLVED, That authorization to expend funds and award contracts to accomplish the project be approved at a cost of \$7,800,000.

6) **Proposed Final Plan Approval and Authorization to Expend Funds, Tower Road Data Center White Space Buildout, University Park**

Construction of the Tower Road Data Center was completed in June of this year. The building was originally provisioned at 60% of capacity for research, business continuity, and administrative functions. In order to support imminent grants with data computing capacity requirements, support administrative computing consolidations and business continuity/disaster recovery, and position the University to receive additional grants, the University intends to buildout and expand the data center's computing capacity within the current footprint. The data center is designed to accommodate for additional future expansions if necessary.

Will the Board of Trustees adopt the following resolutions:

RESOLVED, That the plans to add approximately 1.1 megawatt of computing power at Tower Road Data Center at University Park, as designed by IDC Architects of Pittsburgh, Pennsylvania, are approved.

FURTHER BE IT RESOLVED, That authorization to expend funds and award contracts to accomplish the project be approved at a cost of \$8,500,000.

7) **Proposed Final Plan Approval and Authorization to Expend Funds, Combined Heat and Power Plant, The Milton S. Hershey Medical Center**

In order to become more energy efficient, Penn State Hershey plans to install a combined heat and power plant adjacent to the Hospital's central utility plant.

Combined Heat and Power, or CHP, plants recover otherwise wasted thermal energy to produce useful electricity and thermal energy. This CHP's higher efficiency comes from recovering the heat normally lost in power generation which will be converted into steam used by the hospital throughout the year. CHP's inherent higher efficiency and elimination of transmission and distribution losses from a central power plant results in reduced primary energy use and lower greenhouse gas emissions.

The new 9,310 square foot cogeneration plant addition will include a generator, turbine, transformers, the heat recovery system, and associated equipment.

It is expected that this new plant will save the campus about 25% of its annual energy cost and provide 50% of the campus's annual electrical demand, as well as 95% of steam requirements. It will also provide redundancy required by code and significantly reduce the carbon footprint associated with the campus energy consumption.

Will the Board of Trustees adopt the following resolutions:

RESOLVED, That the plans to add a combined heat and power plant at The Milton S. Hershey Medical Center, as designed by CoGen Power Technologies of Latham, New York, are approved.

FURTHER BE IT RESOLVED, That authorization to expend funds and award contracts to accomplish the project be approved at a cost of \$22,500,000.

8) **Lease and Fit Out for Shared Services Center at 331 Innovation Park**

In alignment with its strategic plan, the University is transforming human resources processes and policies to operate more efficiently and effectively. This transformation has been informed by a detailed 2013 survey of the existing service delivery status. The first step in this transformation is the implementation of a new HCM/payroll technology platform, now referred to as WorkLion. Implementation is on schedule for a July 2017 completion. The second step is the establishment of a shared services model for repetitive transactional work. Restructuring of human resources services and personnel responsibilities is underway. The next step is a facility investment for the consolidated services.

The first and second floors of Building 331 at Innovation Park are available for lease and can be fit out to serve the needs of the new human resources Shared Services Center. About 40,200 square feet of space will be outfitted with cubicles in an open office configuration with offices and conference rooms around the perimeter. 184 of the 250 human resources employees

currently dispersed across campus and downtown will be consolidated here. The James Elliott Building in downtown State College, which currently houses some human resources functions, is not big enough to provide the space needed for the consolidated services being planned. Vacated space there will be utilized in the future by other Penn State units requiring offices near campus.

The twenty-year lease with GLP 331 IP LLP will be capitalized at \$12,000,000 and includes an option to purchase at the tenth and twentieth lease anniversary dates. The fit out work is estimated to cost \$8,900,000 including a tenant improvement allowance of \$2,000,000 in the lease, resulting in a net fit out cost of \$6,900,000. The fit out work will be designed and constructed by the Office of Physical Plant.

Will the Board of Trustees adopt the following resolutions:

RESOLVED, That the Board of Trustees approves the University entering into a lease with GLP 331 IP LLP for the first and second floors of the 331 Building at Innovation Park at a capitalized cost of \$12,000,000.

FURTHER BE IT RESOLVED, That the University is authorized to fit out the space for a cost of \$8,900,000 which includes a tenant improvement allowance of \$2,000,000 for a net fit out cost of \$6,900,000.

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

9) Review of Long Term Investment Pool as of June 30, 2016

Appendix III is an informational report on the University's Endowment and Similar Funds as of June 30, 2016. A brief presentation will be made at the meeting.

(See Appendix III)

E. Committee on Governance and Long-Range Planning – Betsy E. Huber, Chair

1) Proposed Approval of Granting of Trustee Emeritus Status

In accordance with *Standing Order IX*, the Committee on Governance and Long-Range Planning will make a report and accompanying recommendations to the Board with respect to the granting of trustee emeritus status.

2) Confirmation of Appointments to the Board of Directors, The Milton S. Hershey Medical Center

At its meeting on July 20, 2016, the Board of Directors of Penn State Health designated Kathy L. Pape, Senior Vice President, Mid-Atlantic Division and President, Pennsylvania American Water, and Thomas Lenkevich, President, GIANT/MARTINS Division of Ahold USA, as appointees to the Board of Directors of The Milton S. Hershey Medical Center ("Medical

Center"). Appointments to the Board of the Medical Center must be confirmed by the Board of Trustees. Accordingly, it is proposed that the Board of Trustees adopt the following resolution confirming the appointment of Ms. Pape and Mr. Lenkevich for a term ending as specified.

Will the Board of Trustees adopt the following resolution:

RESOLVED, that the appointments of the following individuals to the Board of Directors of the Milton S. Hershey Medical Center are hereby confirmed, with terms to commence as of the date of this resolution and to expire on the dates indicated:

Kathy L. Pape (term to expire June 30, 2018)
Thomas Lenkevich (term to expire June 30, 2017)

3) **Appointment to the Board of Directors, Penn State Health**

As a result of the resignation of Rodney A. Erickson, a vacancy has occurred on the Board of Directors of Penn State Health. It is proposed that Eric J. Barron, President of the University, be appointed to the Board to serve as a Director through June 30, 2017 or until a successor is appointed.

Will the Board of Trustees adopt the following resolution:

RESOLVED, that Eric J. Barron is hereby appointed to the Board of Directors effective as of the date of this resolution and with a term expiring on June 30, 2017 or until a successor is appointed.

4) **Corporation for Penn State: Amended and Restated *Bylaws* and *Articles of Incorporation***

Will the Board of Trustees adopt the following resolutions:

WHEREAS, the Board of Directors of the Corporation for Penn State (the "Corporation") has approved, and has recommended to the Board of Trustees to approve, changing the composition of the membership of the Corporation from the individuals that are members of the Penn State Board of Trustees to Penn State as the sole member.

WHEREAS, the Board of Trustees has determined that it is in the best interest of the Corporation to so change the composition of the membership of the Corporation.

THEREFORE BE IT RESOLVED, that the Board of Trustees hereby approve the amendments to the *Articles of Incorporation* and the *Bylaws* of the Corporation, substantially in the forms presented, together with any additional changes as the officers of the Corporation deem necessary, to change the membership of the Corporation from the individuals that are members of the Penn State Board of Trustees to Penn State as the sole member.

(See Appendix IV)

- F. **Committee on Legal and Compliance** – Richard K. Dandrea, Chair
- G. **Committee on Outreach, Development and Community Relations** – Ryan J. McCombie, Chair

6. **Election of Directors of The Corporation for Penn State**

According to the *Bylaws* of The Corporation for Penn State, the members of the Corporation shall meet annually for the purpose of electing directors. The Pennsylvania State University is the sole member of The Corporation for Penn State.

Will the Board of Trustees adopt the following resolution:

RESOLVED, That the following persons be elected to the Board of Directors of The Corporation for Penn State:

Eric J. Barron	Ira M. Lubert
Kathleen L. Casey	Keith E. Masser
Mark H. Dambly	Daniel S. Mead
David J. Gray	William F. Oldsey
A. Craig Hillemeier	Robert J. Tribeck
Nicholas P. Jones	

7. **Informational Report on the Penn State Alumni Association by the Chief Executive Officer/Secretary-Treasurer of the Alumni Association**

A report on the Penn State Alumni Association will be presented by Paul J. Clifford, Chief Executive Officer/Secretary-Treasurer of the Penn State Alumni Association.

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

1. Information on Graduate Programs**A. College of Engineering****1) Biomedical Engineering: New Graduate Degree Program Master of Science**

There is a critical niche to fill for biomedical companies wishing to hire highly trained graduates capable of carrying out cutting-edge work in translational medicine, device development, and related areas. To fill this niche, the Department of Biomedical Engineering proposes a one-year master's degree program, offering the M.S. in Biomedical Engineering. The degree will consist of advanced instruction in biomedical engineering fundamentals, courses in advanced biotechnology and applications, and a culminating research project that incorporates experiments and computational work. In pursuing this degree, students will develop foundational knowledge and skills in biomedical engineering that will make them competitive for industry leadership positions or doctoral-level graduate programs in Biomedical Engineering and related disciplines.

2) Engineering at the Nano-Scale: New Graduate Degree Program Master of Science

Practicing engineering at the nano-scale is an undertaking that requires a broad background encompassing advanced safety and environmental impact knowledge, ethics awareness, broad technical depth, and interdisciplinary professional preparation. The objectives of the new graduate degree program in Engineering at the Nano-scale are to meet the educational needs of those practicing or contemplating practicing engineering at the nano-scale and to address the growing industry demand for personnel with this perspective. The interdisciplinary nature of the education proposed for this one-year residence-based Master of Science degree is required for a field that has been characterized as "engineering materials and manufacturing technology for the 21st Century." The proposed one-year residence-based master's degree will attract students as well as engineers and scientists in industry with backgrounds in engineering, materials, physics, biology, and chemistry.

1. **Naming of Rooms, Portions of Buildings, and Plazas**

The Facilities Naming Committee has made certain recommendations to the President on the naming of rooms, portions of buildings and plazas. In accordance with the Policy on Naming University Facilities, the Board of Trustees is hereby informed that the President has approved the following naming actions:

1. Change the name of the Morgan Academic Support Center. The center has relocated from the Bank of America Building to the Philip and Barbara Greenberg Complex. The new name of the center will be:

Morgan Academic Center

2. Name Collaborative Learning Room #9 in the Morgan Academic Center in recognition of an irrevocable pledge from William E. Nichols, Jr. The recognition plaque will read:

*In recognition of
William E. Nichols, Sr. and Patricia A. Nichols
Collaborative Learning Room*

3. Name the Computer Lab in the Morgan Academic Center in recognition of an irrevocable pledge from the State College Quarterback Club. The recognition plaque will read:

*State College Quarterback Club
Computer Lab*

4. Name Collaborative Learning Room #13 in the Morgan Academic Center in recognition of an irrevocable pledge from Joan Yerger Williams. The recognition plaque will read:

*Joan Yerger Williams, Amy L. Williams, Harding G. Williams Jr. and Kelly A. Williams
Collaborative Learning Room*

5. Name Collaborative Learning Room #10 in the Morgan Academic Center in recognition of an irrevocable pledge from Charles and Mary Zebula. The recognition plaque will read:

*Chuck and Mary Zebula
Collaborative Learning Room*

6. Name the Defensive Line/Defensive Squad Room (114) in the Lasch Building in recognition of a group donation in honor of Bob White. The recognition plaque will read:

*Bob White
Penn State Football
Defensive Squad/Defensive Line Meeting Room
Donated by the friends of Bob White*

7. Name the "Lookout" area at Penn State Hazleton in recognition of a gift commitment from Ron Balasco. The recognition plaque will read:

Ronald and Barbara Balasco Bella Vista

8. Name the Small Group Study Room (C1620D) in the George T. Harrell Health Sciences Library at Penn State College of Medicine in recognition of a commitment from Cara-Lynne and David Schengrund. The recognition plaque will read:

Elder-Schengrund Study Room

6. **Status of Major Construction Programs and Borrowing**

(See Appendix II.1)

7. **Capital Budget Request for Fiscal Year 2017-2018**

Penn State has identified several projects as a priority and annually submits a list of those projects to the Commonwealth's Department of Education for further consideration by the Legislature. In order for the Governor to release funds for capital projects, the projects must have prior authorization and approval by the Legislature. The Capital Budget Request consists of those projects for which the University is seeking authorization for subsequent funding by the Governor.

For fiscal year 2017-2018, the University will submit a Capital Budget Request to the Commonwealth for authorization of \$148.2 million of which \$124.0 million is for construction projects and the remaining \$24.2 million is for original equipment.

(See Appendix II.2)

8. **Summary and Designation of Gifts Received**

(See Appendix II.3)

9. **Summary of Revised Funds**

Will the Committee on Finance, Business and Capital Planning recommend to the Board of Trustees adoption of the following resolution:

RESOLVED, That the conditions governing certain existing scholarships, fellowships, awards, and similar funds previously established at the University, identified in the *Summary of Revised Funds* for the period June 27, 2016 to August 19, 2016, be revoked and that the Officers of the University are authorized to put into effect the revised regulations as requested by the donors.

10. **Summary and Acknowledgement of New Funds and Major Commitments**

The Committee on Finance, Business and Capital Planning is advised that for the period June 27, 2016 through August 19, 2016, 28 new funds totaling approximately \$1,514,500 were accepted by the University, including scholarships, fellowships, etc. All of these items conform to established University policies and regulations.

For the period May 1, 2016 through June 30, 2016, 38 major commitments were accepted by the University totaling approximately \$26,921,649.

Will the Committee on Finance, Business and Capital Planning recommend to the Board of Trustees adoption of the following resolution:

RESOLVED, That the Board of Trustees gratefully acknowledges the generous contributions of the many friends of the University identified in the *Summary and Acknowledgement of New Funds and Major Commitments*, in support of endowments, funds, and other major commitments as reported to the Committee on Finance, Business and Capital Planning at its meeting of September 15, 2016.

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.

STATUS OF MAJOR CONSTRUCTION PROGRAMS AND BORROWING (> \$5 Million)
August 31, 2016

Project Name	Estimated Cost	Actual Cost	07/15	05/17	06/17	07/18	Project Status
Agricultural Digester and Dairy Barn Replacement	\$9,500,000	\$0				07/18	Project in design.
Agricultural Engineering Building Renewal	\$44,500,000	\$0	01/15	05/16	08/16	12/17	Construction began in August 2016.
Airport Infrastructure and Site Improvements	\$10,700,000	\$0	05/15	05/15	06/16	07/17	Construction is approximately 5% complete.
Chemical and Biomedical Engineering Building	\$144,000,000	\$0	03/15	09/16	09/16	12/18	Project in design.
East Halls Renovation and New Residence Hall, Phase 1A	\$65,100,000	\$0	11/14	02/16	03/16	07/17	Construction is approximately 15% complete.
East Halls Renovation and New Residence Hall, Phase 1B	\$106,000,000	\$0		02/17	03/17	07/18	Project in design.
East Halls Renovation and New Residence Hall, Phase 1C	\$81,300,000	\$0		02/18	03/18	07/19	Project in design.
Environmental Improvements BFP Installations	\$10,500,000	\$7,000,000	N/A	N/A	06/08	08/17	Project program is approximately 95% complete.
Findlay Dining Commons Renovation	\$25,100,000	\$0	09/14	11/15	01/16	12/16	Construction is approximately 70% complete.
HR Shared Services Fit-Out	\$8,900,000	\$0	N/A	09/16	01/17	11/17	Project in design.
IM Building Addition Phase III	\$29,340,000	\$0	03/13	02/16	05/16	08/17	Construction is approximately 15% complete.
Lacrosse Facility Upgrades	\$8,400,000	\$0	03/15	TBD	TBD	TBD	Project in design.
Lasch Football Building Locker/Equipment Room Renovation	\$12,000,000	\$0	01/15	11/15	01/16	11/16	Construction is approximately 85% complete.
MRL Renovations	\$25,300,000	\$10,760,000	N/A	09/14	09/14	11/16	Construction is approximately 85% complete.
Rectal Hall and Music I Renovation	\$22,100,000	\$19,000,000	12/15 (DGS)	05/17	05/17	07/18	Project in design.
Recreational Facility Access Modifications	\$7,500,000	\$6,000,000	N/A	02/16	06/16	12/16	Construction is approximately 30% complete.
Research Building West HVAC Renovations	\$7,800,000	\$0	01/15	09/16	11/16	12/17	Project in design.
Residence Hall at North Halls	\$33,500,000	\$0	09/14	02/16	03/16	07/17	Construction is approximately 20% complete.
Ritenour Student Center	\$6,510,000	\$0	N/A	11/15	01/16	10/16	Construction is approximately 55% complete.
Tower Road Data Center Whitespace Build-Out	\$5,000,000	\$0	N/A	09/16	09/16	07/17	Project in design.
Transformer Replacement Program	\$11,100,000	\$1,000,000	N/A	N/A	06/07	07/17	Project program is approximately 92% complete.
Water Treatment Plant and Distribution System Upgrades	\$62,000,000	\$45,000,000	01/11	03/15	05/15	03/17	Construction is approximately 60% complete.
WCSP Steam Turbine Replacement	\$9,200,000	\$0	01/11	01/13	12/14	02/17	Construction is approximately 90% complete.
WCSP Steam Production Modifications	\$57,300,000	\$0	01/11	11/12	02/14	08/18	Construction is approximately 60% complete.
Whitmore Laboratory Renovations	\$31,700,000	\$0	03/12	09/14	01/15	08/16	Construction is approximately 98% complete.

UP

STATUS OF MAJOR CONSTRUCTION PROGRAMS AND BORROWING (> \$5 Million)
August 31, 2016

Campus	Project Data			Commonwealth Funding	Gift Amount	BOT Milestones			Construction		Notes
	Project Name	Budget Amount	Arch/Eng Selection			Final Plan Approval	Start Date	Completion Date			
Abington	Student Apartment Building	\$50,600,000	07/14	\$0	\$0	12/15	12/15	12/15	07/17	07/17	Construction is approximately 25% complete.
Altoona	Adler Building Addition and Renewal	\$24,500,000	12/13 (DGS)	\$13,710,000	\$0	11/15	11/15	11/15	02/16	08/17	Construction is approximately 25% complete.
Brandywine	New Residence Hall	\$31,500,000	07/14	\$0	\$0	12/15	12/15	12/15	03/16	07/17	Construction is approximately 20% complete.
	Student Union	\$19,600,000	07/14	\$0	\$0	12/15	12/15	12/15	03/16	07/17	Construction is approximately 20% complete.
Erie	Trippie Hall	\$25,000,000	11/15	\$0	\$0	11/16	11/16	11/16	12/16	07/18	Project in design.
Harrisburg	Student Enrichment Center	\$30,000,000	11/13	\$0	\$1,000,000	03/15	03/15	03/15	04/15	09/16	Construction is approximately 98% complete.
Hazleton	Kostos Building Renewal	\$15,500,000	10/14 (DGS)	\$12,000,000	\$0	02/16	02/16	02/16	05/16	10/17	Construction is approximately 10% complete.
	Combined Heat and Power Plant	\$22,500,000	11/15	\$0	\$0	09/16	09/16	09/16	10/16	10/18	Project in design.
Hershey	Women's Health Inpatient Renovations, Phase II	\$11,000,000	11/15	\$0	\$0	05/16	05/16	05/16	06/16	12/17	Construction is approximately 2% complete.
York	Ruhl Student Center and MP Building Addition and Renovation	\$13,500,000	11/13	\$0	\$1,000,000	09/15	09/15	09/15	09/15	09/16	Construction is approximately 94% complete.

Summary of University Long-Term Debt - \$(000) (excluding PCT)
Estimated Bonds, Notes and Capital Leases as of June 30, 2016 (unaudited) \$1,037,467

Authorized Borrowing Status - \$(000) (excluding PCT)
Borrowing Authority per September 2013 Board of Trustees \$750,000
Capital Leases, Bonds, & Notes Issued (\$307,480)
Future Capitalized Leases & Other Anticipated Commitments (\$23,590)
Estimated Authority Remaining \$418,930

University Park

Steidle Building Addition & Renovation - Final Construction Report



Southeast elevation



Four-story atrium brings natural light into the building

- Completion - July 2016
- \$52,000,000 Authorized
- \$52,000,000 Final Cost

SCOPE:

Steidle Building houses the Department of Material Science and Engineering. The 1931 portion of the building was renovated and the 1939 addition was demolished. The interior of the remaining structure is infilled with 40,000 SF of new space. The project includes a new 80-seat classroom, modern laboratories, graduate research clusters, a new seminar room, and upgraded utilities.



Material Science laboratory

University Park

Whitmore Laboratory Renovation - Final Construction Report



West elevation - new energy efficient windows



New undergraduate general chemistry laboratory



Reconfigured advanced organic chemistry laboratory

- Completion - August 2016
- \$31,700,000 Authorized
- \$31,700,000 Final Cost

SCOPE:

Whitmore Laboratory building houses chemistry labs for undergraduate introductory and advanced studies. The reconfigured first floor accommodates ten modern undergrad chemistry labs and the second floor renovation includes new organic chemistry teaching labs, a dedicated advanced organic chemistry lab, prep areas and support space. Aging inefficient building systems are replaced.

**THE PENNSYLVANIA STATE UNIVERSITY
PROPOSED CAPITAL BUDGET REQUEST FOR 2016-2017**

<u>Priority Number</u>	<u>2016-2017 Construction Projects</u>	<u>Amount Requested</u>
1.	Classroom/Class Lab Building (Abington Campus) Penn State Abington has a substantial deficit of academic space. A new multi-story Classroom/Class Lab Building will be constructed to provide modern classrooms, instructional laboratories, faculty offices, instructional support and service spaces to support general and technology instructional programs. Funding will be used for design and construction costs, as well as, necessary utility upgrades and extensions, site improvements and code-related upgrades. The construction will meet all current building code requirements and provide for barrier-free access as required by the Americans with Disabilities Act and related codes.	\$45,000,000
2.	Hosler Building Renewal (University Park Campus) Hosler Building was constructed in 1950 as the home for the Mineral Industries Department of the College of Earth and Mineral Sciences. Very little has been done to the structure in the ensuing 62 years. The condition of existing building systems is hampering ongoing research and reduces the quality of the undergraduate educational experience. The funding for this project will renew the facility by replacing worn systems, updating electrical services and lighting, replacing heating and adding central chilled water air conditioning, improving the thermal envelope, replacing windows and interior finishes. Accessibility issues will be addressed. Interior space modifications will be required to meet the needs of the departments and activities housed within the facility, including research activities. In addition to design and construction, the project funding will provide for necessary utility upgrades and extensions, site improvements and code-related upgrades. The renewal will meet all current building code requirements and provide for barrier-free access as required by the Americans with Disabilities Act and related codes.	\$42,000,000

**THE PENNSYLVANIA STATE UNIVERSITY
PROPOSED CAPITAL BUDGET REQUEST FOR 2016-2017**

<u>Priority Number</u>	<u>2016-2017 Construction Projects</u>	<u>Amount Requested</u>
------------------------	--	-------------------------

3.	Nursing Sciences Building Expansion and Renewal (University Park Campus)	\$25,000,000
-----------	---	---------------------

Nursing Sciences Building is in need of upgrades to meet the needs of the College of Nursing to include future growth, partnerships, and community outreach supporting the mission of the college. The building footprint will be expanded to provide for a proper entrance on the north or south face. The construction may include upward expansion to include a lecture hall. The building will be completely modernized to support current instructional programs and meet current building codes. Obsolete equipment and mechanical systems will be removed and replaced as appropriate and the building will be air-conditioned. Interior spaces will be reconfigured and renovated to provide modern instructional classrooms, laboratories, faculty offices, meeting and seminar, student service and support spaces. Flooring will be replaced, lighting and acoustical treatments will be upgraded or provided and all special fixed instructional equipment and communications infrastructure will be included as required. Any relocation costs will be included in this project. Funding will be used for design and construction costs, as well as, necessary utility upgrades and extensions, site improvements and code-related upgrades. The construction will meet all current building code requirements and provide for barrier-free access as required by the Americans with Disabilities Act and related codes.

4.	Vairo Library Renewal (Brandywine Campus)	\$12,000,000
-----------	--	---------------------

Vairo Library was constructed in 1980. The building's design is unique and attractive. However the design has created shortcomings in the operation and use of the building. The building lacks accessibility for the physically challenged except through the loading dock area at the rear of the building. Patrons then must use a freight elevator originally designed for library activities to gain access to the upper floor. This elevator is accessible from the upper floor only through the library, the main occupant of the building. On the lower floor are classrooms and non-intensive labs, and a student lounge.

This project will address these shortcomings and renew building systems, which have not been updated since the buildings construction. It will allow replacement of mechanical, electrical, plumbing and exterior envelope systems. Funding will be used for design and construction costs related to the building renewal, as well as, necessary utility upgrades and extensions, site improvements and code-related upgrades. The renewal will meet all current building code requirements and provide for barrier-free access as required by the Americans with Disabilities Act and related codes.

2016-2017 Total Construction Projects	<u>\$124,000,000</u>
--	-----------------------------

**THE PENNSYLVANIA STATE UNIVERSITY
PROPOSED CAPITAL BUDGET REQUEST FOR 2016-2017**

<u>Priority Number</u>	<u>2016-2017 Original Equipment</u>	<u>Amount Requested</u>
1.	Classroom/Class Lab Building (Abington Campus)	\$ 9,000,000
2.	Hostler Building Renewal (University Park Campus)	\$ 8,400,000
3.	Nursing Sciences Building Expansion and Renewal (University Park Campus)	\$ 5,000,000
4.	Vairo Library Renewal (Brandywine Campus)	\$ 1,800,000
2016-2017 Total Original Equipment		\$ <u>24,200,000</u>
2016-2017 TOTAL REQUESTED		\$ <u>148,200,000</u>



The Pennsylvania State University
Office of University Development
Year To Date Report - All Sources

6/30/2016

CONFIDENTIAL

Type Donor Report (Gifts)
Through June, 2016

	This Year		Last Year		Change		Last Year	
	Year-To-Date	Year-To-Date	Year-To-Date	Year-To-Date	Year-To-Date	Year-To-Date	Totals	Totals
	Gifts	Dollars	Gifts	Dollars	Gifts	Dollars	Gifts	Dollars
Alumni	121,580	87,027,345	128,585	78,667,583	-7,005	8,359,762	128,585	78,667,583
Friend	143,738	33,561,487	153,341	33,601,023	-9,603	-39,536	153,341	33,601,023
Corporation	13,427	55,594,094	13,743	63,660,958	-316	-8,066,865	13,743	63,660,958
Foundation Total	2,265	29,879,861	1,451	26,355,444	814	3,524,417	1,451	26,355,444
Independent	1,480	27,147,266	935	22,534,882	545	4,612,384	935	22,534,882
Family Fdn.	50	205,261	31	231,457	19	-26,196	31	231,457
Operating Fdn.	2	22,000	6	40,231	-4	-18,231	6	40,231
Community Fdn.	330	773,579	129	1,974,523	201	-1,200,944	129	1,974,523
Donor Advised Fund	403	1,731,755	350	1,574,352	53	157,403	350	1,574,352
Organization	13,036	23,908,036	10,768	23,734,611	2,268	173,426	10,768	23,734,611
Totals	294,046	229,970,823	307,888	226,019,620	-13,842	3,951,204	307,888	226,019,620



The Pennsylvania State University
Office of University Development

Year To Date Report

Purpose of Gift

Through June, 2016

6/30/2016

CONFIDENTIAL

	THIS YEAR		LAST YEAR		CHANGE		LAST YEAR	
	GIFTS	DOLLARS	GIFTS	DOLLARS	GIFTS	DOLLARS	GIFTS	DOLLARS
Unrestricted	4,592	830,372	5,139	1,034,349	-547	-203,977	5,139	1,034,349
Academic Divisions	14,915	4,970,584	15,874	3,972,330	-959	998,254	15,874	3,972,330
Faculty Resources	433	10,914,241	479	11,085,444	-46	-171,203	479	11,085,444
Research	3,530	33,415,589	3,657	29,824,561	-127	3,591,029	3,657	29,824,561
Public Svc & Ext	18,961	4,243,122	18,828	4,147,519	133	95,603	18,828	4,147,519
Library	1,484	200,290	1,398	583,234	86	-382,944	1,398	583,234
Phys Plan Maint	184	23,434	110	42,841	74	-19,407	110	42,841
Student Aid	51,056	59,424,006	54,854	61,621,428	-3,798	-2,197,422	54,854	61,621,428
Scholarships	15,828	26,700,035	17,054	29,835,662	-1,226	-3,135,627	17,054	29,835,662
Student Loans	46	30,271	47	4,000	-1	26,271	47	4,000
Grad Fellowships	1,146	14,044,472	1,054	11,889,052	92	2,155,420	1,054	11,889,052
Athletic Grt-in-Aid	34,036	18,649,228	36,699	19,892,714	-2,663	-1,243,486	36,699	19,892,714
Prop/Bldgs/Equip	4,230	40,518,212	5,722	43,178,009	-1,492	-2,659,797	5,722	43,178,009
Other Purposes	194,661	75,430,973	201,827	70,529,904	-7,166	4,901,068	201,827	70,529,904
TOTAL	294,046	229,970,823	307,888	226,019,620	-13,842	3,951,204	307,888	226,019,620



The Pennsylvania State University
Office of University Development

Year To Date Report

Progress on Goals Report - Unit Goals All Sources

Through June, 2016

6/30/2016

CONFIDENTIAL

FB&CP

Campaign	To Go	This Year-to-Date		Last Year-to-Date		Change in YTD Totals		Last Year Totals	
		Gifts	Dollars	Gifts	Dollars	Gifts	Dollars	Gifts	Dollars
Abington	104,850	1,382	638,150	1,228	262,766	154	375,384	1,228	262,766
Agricultural Sciences	-5,997,343	5,802	12,311,843	5,300	9,173,358	502	3,138,486	5,300	9,173,358
Altoona	1,027,179	1,090	1,342,821	1,911	4,105,551	-821	-2,762,729	1,911	4,105,551
Arts & Architecture	-3,063,620	6,445	4,622,620	7,252	3,959,872	-807	662,748	7,252	3,959,872
Beaver	126,296	663	302,704	627	348,172	36	-45,468	627	348,172
Behrend	-559,486	3,028	2,562,486	3,307	11,626,980	-279	-9,064,494	3,307	11,626,980
Berks	291,656	830	865,344	937	1,530,145	-107	-664,801	937	1,530,145
Brandywine	-81,821	881	412,821	855	370,706	26	42,115	855	370,706
Communications	10,645	1,317	1,018,355	1,489	782,725	-172	235,630	1,489	782,725
Dickinson School of Law	-9,966,227	1,200	10,626,227	986	1,004,598	214	9,621,629	986	1,004,598
DuBois	95,226	717	994,774	625	850,125	92	144,649	625	850,125
Earth & Mineral Sciences	-3,644,878	2,943	17,098,878	3,112	18,003,738	-169	-904,860	3,112	18,003,738
Eberly Science	-5,511,874	4,129	10,901,874	4,627	13,885,981	-498	-2,984,107	4,627	13,885,981
Education	-273,535	3,282	1,279,535	3,706	1,305,037	-424	-25,502	3,706	1,305,037
Engineering	-15,786,749	7,998	32,373,749	8,715	23,894,068	-717	8,479,682	8,715	23,894,068
Fayette, The Eberly Campus	96,052	417	285,948	373	163,318	44	122,630	373	163,318
Great Valley	128,002	384	96,998	399	98,422	-15	-1,424	399	98,422
Greater Allegheny	139,888	458	126,113	458	151,570	0	-25,457	458	151,570
Harrisburg	8,246	2,761	1,844,754	2,692	1,595,234	69	249,520	2,692	1,595,234
Hazleton	787,551	668	431,449	590	454,118	78	-22,669	590	454,118
Health & Human Development	-3,980,618	3,734	9,267,618	4,053	13,777,924	-319	-4,510,306	4,053	13,777,924
Hershey	-3,451,727	135,665	36,510,727	141,818	36,314,870	-6,153	195,857	141,818	36,314,870
Information Sciences & Technology	324,122	571	4,533,878	554	4,902,986	17	-369,108	554	4,902,986
Intercollegiate Athletics	-2,193,339	38,744	30,057,339	41,515	28,358,766	-2,771	1,698,572	41,515	28,358,766
Lehigh Valley	32,555	631	214,445	779	243,451	-148	-29,006	779	243,451
Liberal Arts	-5,354,682	4,841	9,407,682	4,875	10,888,002	-34	-1,480,320	4,875	10,888,002
Mont Alto	-56,205	1,156	543,205	1,127	301,826	29	241,379	1,127	301,826
New Kensington	-140,373	565	543,373	675	353,002	-110	190,371	675	353,002
Nursing	445,141	803	862,859	763	992,099	40	-129,241	763	992,099
Outreach	635,995	19,521	4,216,005	19,930	4,076,868	-409	139,138	19,930	4,076,868
Penn State Law	-238,768	90	885,768	65	18,831	25	866,937	65	18,831
Schreyer Honors College	24,387	1,781	1,433,613	1,752	1,594,984	29	-161,371	1,752	1,594,984
Schuylkill	292,056	741	524,944	898	473,888	-157	51,056	898	473,888
Shenango	-921,462	536	1,231,462	519	276,628	17	954,834	519	276,628
Smeal Business	796,190	6,221	6,375,810	6,456	8,793,727	-235	-2,417,917	6,456	8,793,727



Long-Term Investment Pool & Similar Funds (LTIP)

Investment Review for Fiscal 2016

Submitted September 2016

This cover page provides a summary overview of the Pennsylvania State University Long-Term Investment Pool (LTIP) for Fiscal Year 2016. The second page summarizes LTIP-related data that is discussed in detail on the remaining pages, along with performance analysis.

Executive Overview

Long-Term Investment Pool (LTIP) Performance

Annualized *net* investment returns for the Penn State University LTIP (adjusted for the impact of gifts and spending, and after external investment management expenses) for periods ending June 30, 2016 are:

<u>Fiscal 16</u>	<u>3 Years</u>	<u>5 Years</u>	<u>10 Years</u>
-0.8%	6.4%	6.8%	6.3%

Long-Term Investment Pool Market Value (pg 3)

As of June 30, 2016, Penn State University’s LTIP was valued at \$3.62 billion, which includes \$2.35 billion in endowment assets and \$1.27 billion in non-endowed funds. An additional \$124 million was held as Similar Funds (see page 2 for details). Endowment spending is reviewed on pages 2 and 3.

Review of Investment Markets (pg 4)

The graph below compares respective returns for the 12-months ending June 30, 2016 and June 30, 2015 for the S&P500, MSCI All Country World (ACWI) ex-US, Dow Jones UBS Commodities, Barclays Aggregate Bonds, and publicly-traded Real Estate Investment Trusts (REITs) Indexes. As shown below, investment market returns for Fiscal 2016 lagged respective returns for June 30, 2015.

Investment Diversification and Asset Mix (pg 5)

At Fiscal year-end, 47% of LTIP assets were invested in public equities (domestic and foreign) and 22% in private equity and venture capital, in combination representing 69% of LTIP in growth-oriented assets. In addition, 20% was invested in fixed income/cash, 3% in real assets, and 7% in diversifying (hedged) strategies.

Comparative Fund Performance (pg 6)

Penn State’s LTIP returned -0.8% net for the year ending June 30, 2016, just shy of the -0.4% return of the Passive Policy Portfolio, while LTIP’s 3-yr and 5-yr relative performance was notably better than the respective passive benchmark returns.

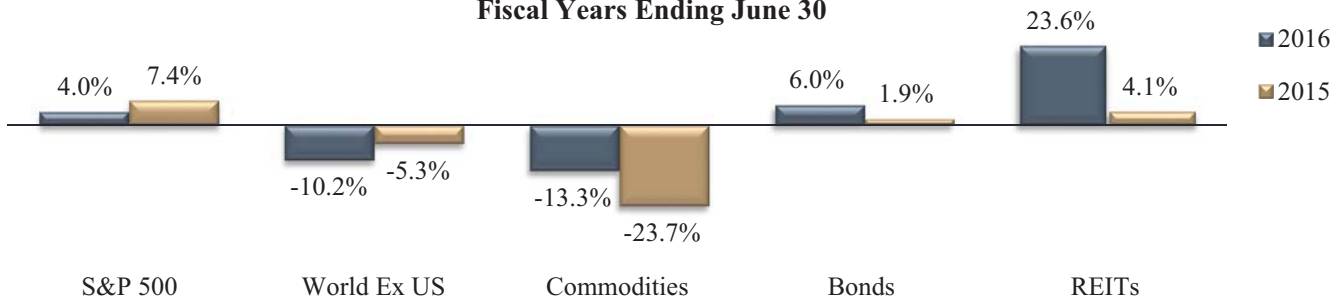
LTIP Liquidity (pg 7)

With nearly one-half of assets convertible to cash in a matter of days, the LTIP maintains adequate liquidity to satisfy anticipated cash requirements.

LTIP Performance and Spending (pg 8)

LTIP’s average annual net returns of 6.3% and 7.7% for the last 10- and 20-year periods, respectively, have enabled LTIP to attain inflation-adjusted returns in excess of spending, achieving long-term intergenerational equity.

**Investment Market Returns
Fiscal Years Ending June 30**



5-Year LTIP Facts and Figures

	Annual Periods Ending June 30				
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Investment Performance					
Endowment ¹ (annualized net returns)	-0.8%	3.1%	17.9%	11.3%	3.5%
Market Values (\$ millions)					
Endowment ¹	2,347.4	2,375.7	2,285.0	1,933.2	1,765.0
Similar Funds ²	<u>123.7</u>	<u>115.9</u>	<u>113.5</u>	<u>95.7</u>	<u>90.0</u>
Endowment and Similar Funds	2,471.1	2,491.6	2,398.5	2,028.9	1,855.0
Gifts & Other Additions (\$ mils)	94.9	130.3	92.2	73.9	76.2
Annual Spending (\$ mils)	95.4	84.0	75.4	71.5	70.8
Non-Endowed Funds ³	<u>1,271.9</u>	<u>1,252.2</u>	<u>1,140.6</u>	<u>1,004.8</u>	<u>239.8</u>
Total LTIP ⁴ & Similar Funds	3,742.9	3,743.8	3,539.1	3,033.7	2,094.8
1) Endowment — donor-restricted gifts					
2) Similar Funds — deferred gifts and donor-restricted funds in transit to Endowment					
3) Non-Endowed Funds earmarked for FAS 106 liability (employee post-retirement health care benefits) & President's Strategic Initiative Fund. These funds were phased in between 2009 and 2016.					
4) Commingled assets over which Penn State's Office of Investment Management (OIM) has investment responsibility, as approved by the Penn State Investment Council (PSIC), exclusive of Similar Funds					

Penn State Investment Council (PSIC) Approvals

February 29, 2016:

- Private Equity: \$60M
- Venture Capital: \$42.5M
- Opportunistic: \$20M

April 22, 2016:

- Venture Capital: \$10M
- Distressed Hedge: \$65M
- Non-U.S. Equity: \$20M

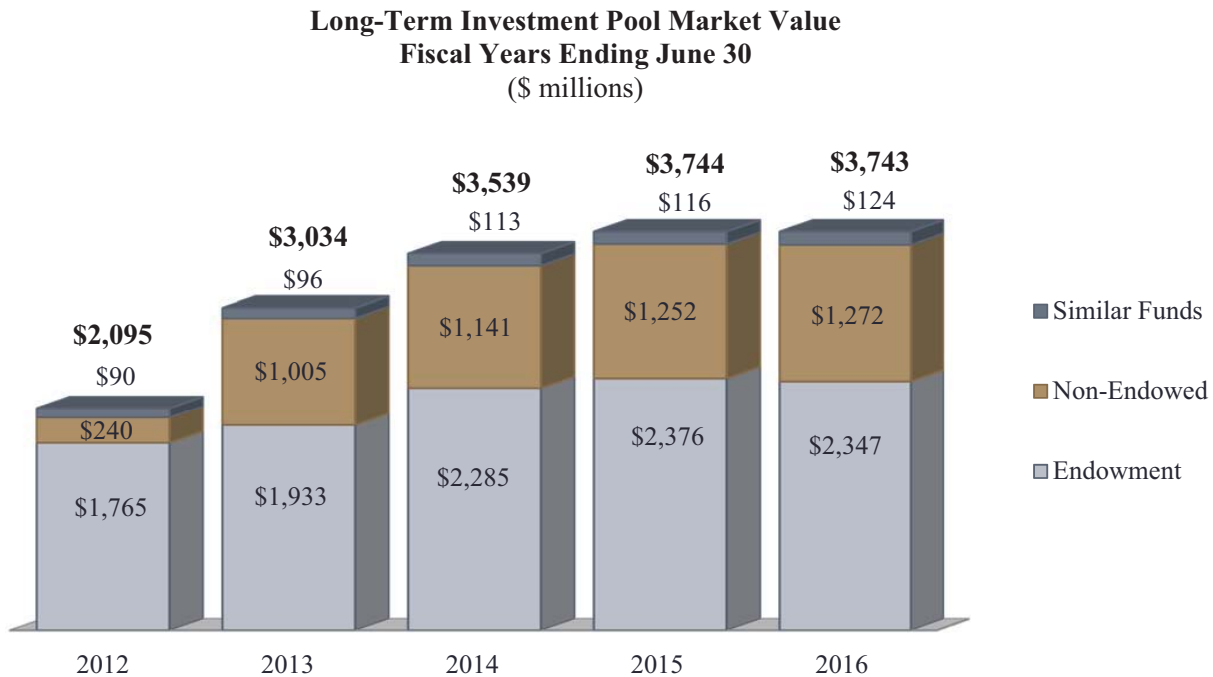
June 22, 2016:

- Venture Capital: \$25M
- Private Equity: \$15M

Please note that commitments made to Limited Partnerships (LPs) are not immediately invested and are called (paid in) over several years until commitment is satisfied, except as noted.

Long-Term Investment Pool Market Value

As of June 30, 2016, Penn State’s Long-Term Investment Pool was valued at \$3.62 billion, including non-ended funds in the amount of \$1.27 billion that have been commingled into the LTIP. Non-pooled assets — charitable remainder trusts, charitable gift annuities, and other life income funds in addition to donor restricted funds — accounted for an additional \$124 million, shown below as Similar Funds, for a total \$3.74 billion in assets.



Endowment Assets

Endowment assets decreased by \$28.3 million during Fiscal 2016, from \$2.38 billion to \$2.35 billion. As seen in the table on page 2, endowed gifts added over the last 12 months totaled \$94.9 million, while endowment program support (spending) amounted to \$95.4 million. Current endowment spending has been approved by the Board of Trustees to remain at an annual rate of 4.5%.

Long-Term Investment Pool

Excluding \$124 million in similar funds that are managed externally, the market value of the Long-Term Investment Pool (LTIP) totaled \$3.62 billion, as of June 30, 2016. In addition to endowment assets of \$2.47 billion, LTIP includes \$1.08 billion in non-ended assets that have been commingled for investment purposes, but are restricted to the on-going funding of the University’s FAS 106 liability. Also included in LTIP is \$194 million for the Presidents’ Strategic Initiative Fund.

The remainder of this report will focus on the Long-Term Investment Pool, including all commingled funds.

Review of Investment Markets in Fiscal 2016

In the table below, representative financial market returns are listed for 1-, 3-, and 5-year periods covering four major asset categories: Global Equities (divided into US Equities and Non-US Equities), Fixed Income, Commodities, and Private Capital. The performance of investment markets that impact Penn State University's Long-Term Investment Pool (LTIP) is discussed below.

<i>Annualized Percentage Returns as of June 30, 2016</i>	<u>1 Year</u>	<u>3 Years</u>	<u>5 Years</u>
Global Equities U.S.			
S&P 500 Index (US Large Cap Equities)	4.0	11.7	12.1
Russell 3000 Index (Total US Equities)	2.1	11.1	11.6
Russell 2000 Index (US Small Cap Equities)	-6.7	7.1	8.4
Global Equities Non-U.S.			
MSCI All Country Ex-U.S. Index (ACWI)	-10.2	1.2	0.1
MSCI Developed Non-U.S. Index (EAFE)	-10.2	2.1	1.7
MSCI Emerging Markets Index (EME)	-12.1	-1.6	-3.8
Fixed Income			
Barclays US Aggregate Bond Index	6.0	4.1	3.8
Barclays US Treasury TIPS Bond Index	4.4	2.3	2.6
Citigroup WGBT	11.3	2.6	1.2
Commodities			
Bloomberg Commodities Index	-13.3	-10.6	-10.8
Gold (SPDR GLD)	12.5	2.0	-2.6
Private Capital (3/31/16)			
Venture Capital (Cambridge Associates)	4.5	18.5	14.6
Private Equity (Cambridge Associates)	3.2	10.9	11.5
Private Real Estate (Cambridge Associates)	10.9	12.9	11.2

Market Notes:

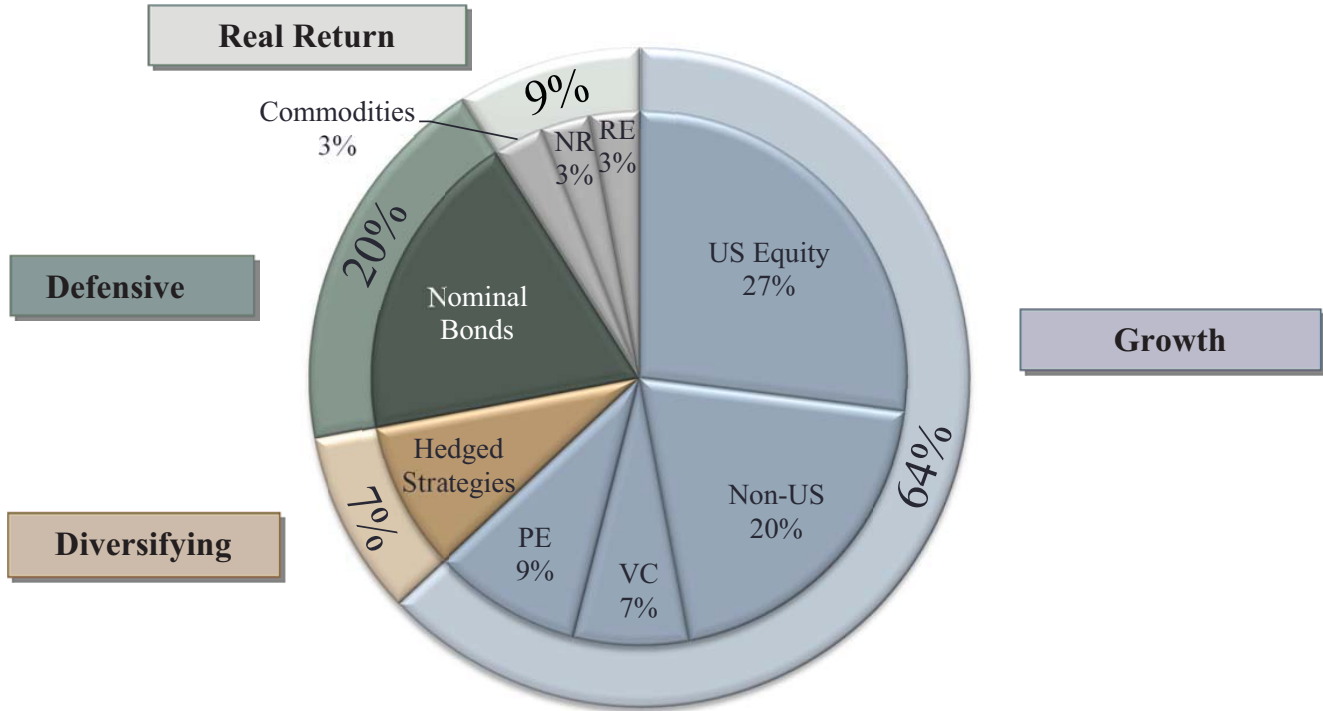
- **Global Equities:** Except for Small Cap, US Equities recorded single-digit advances for the Fiscal year ended June 30, 2016, with stronger double-digit returns for the 3-, and 5-year periods. US Equities continued to outpace non-US Equities over all three periods. Non-US Equities in total were down -10.2% in Fiscal 2016, with Developed Markets, EAFE, returning -10.2% and Emerging Market Equities (EME) returning -12.1%.
- **Fixed Income:** In Fiscal 2016, US Aggregate Fixed Income gained 6.0% while US TIPS followed closely at 4.4%, and Citigroup WGBT posting 11.3%.
- **Commodities:** The Bloomberg Commodities Index continued its negative trend, registering losses of -13.3%, -10.6%, and -10.8% for the trailing 1-, 3-, 5-years, while Gold's 12.5% return outpaced commodities overall.
- **Private Capital:** While Private Equity and Venture Capital slowed to single digit returns for the last year, Private Real Estate continued with double-digit gains for each of the 1-, 3-, 5-year periods ending 3/31/2016, which is the latest reporting period for non-marketable investments.

Economic and Market Outlook

On the following two pages, LTIP's broad and detailed asset mix is discussed, followed by the composite investment returns for each of the four above asset categories compared to the corresponding LTIP returns.

Investment Diversification and Asset Mix

Asset allocation is a primary determinant of investment performance and risk control. LTIP’s asset mix combines four strategic investment themes – growth (economic-sensitive), diversifying (low sensitivity to economic/investment market fluctuations), real (inflation-sensitive), and defensive (counter-sensitive to market turbulence) – to maximize potential returns, while tempering volatility. In the graph below, the four macro investment themes are shown in the outermost ring with their June 30, 2016 allocations of 64%, 7%, 9%, and 20%, respectively. Over time, the percentages vary depending on market trends and allocations approved by the Penn State Investment Council.



At a more granular level, LTIP’s diversified portfolio includes a variety of traditional asset classes that comprise the four strategic themes, as shown by the slices within the inner pie (percentages are rounded):

- Growth (64%): 27% in publicly-traded US and 20% in publicly-traded non-US common stocks, as well as 7% in venture capital (VC), and 9% in private equity (PE) funds.
- Diversifying (7%): 4% in credit-related, and 3% in equity-related strategies.
- Defensive (20%): 5% in investment grade bonds, 4% in global bonds, and 11% in short-term investments.
- Real Return (9%): 3% in real estate (RE), 3% in natural resources (NR), and 3% in commodities.

The above grouping by investment themes provides insight to the functional role of the various asset classes within LTIP. The relative allocations represent comparative long-term return expectations, tempered by risk-mitigating assets to offset capital market turbulence. Hence, the approximately 64% currently allocated to growth is intended to take advantage of the capital appreciation and purchasing power protection historically offered by higher returning equity investments. Given the sometimes volatile nature of equity returns, 20% is invested in defensive (fixed income) and 7% in various hedged strategies to provide stability and diversification during times of market turbulence and uncertain economic conditions. In addition, 9% of LTIP is allocated to real return in order to help neutralize inflationary episodes.

LTIP Performance Compared to Passive Portfolio

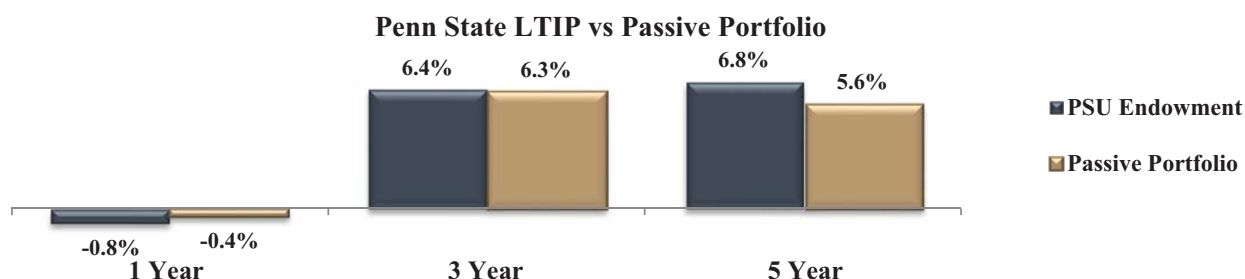
The Long-Term Investment Pool's investment performance is measured against a hypothetical *Passive Portfolio*, comprised of four broad asset categories: Public Equities, Private Capital, Fixed Income and Commodities. This passive portfolio serves as a blended benchmark against which the performance of the actual, actively-managed, and more broadly-diversified LTIP portfolio is monitored. This analysis is distinct from the foregoing conceptual, strategic themes which do not lend themselves to benchmarks analysis.

These categories are very broadly defined: the equity and fixed income categories include hedge funds whose strategies are equity and/or credit oriented, respectively, while commodities include hedged and long-only strategies. The custom index for Private Capital includes representative private equity, venture capital, and private real estate partnership time-weighted returns.

In the table below, the respective static weightings of the four asset categories are associated with corresponding market benchmarks and their respective index returns to generate *Passive Portfolio* returns over 1-, 3-, and 5-year horizons for the fiscal years ending 6/30/16:

<u>Asset Class</u>	<u>Benchmark</u>	<u>Weighting</u>	<u>Annualized Benchmark Returns</u>		
			<u>1 Year</u>	<u>3 Years</u>	<u>5 Years</u>
Public Equities	MSCI All Country World	55%	-3.7	6.0	5.4
Total Private Capital	Custom Index	20	5.4	13.3	12.3
Fixed Income	Barclays Aggregate Bond Index	20	6.0	4.1	3.8
Commodities	Dow Jones UBS Commodities	5	-13.3	-10.6	-10.8
Total Passive Portfolio (net)		100%	-0.4%	6.3%	5.6%

Note: The weightings used above are assumed to be constant over the entire 5-year period.

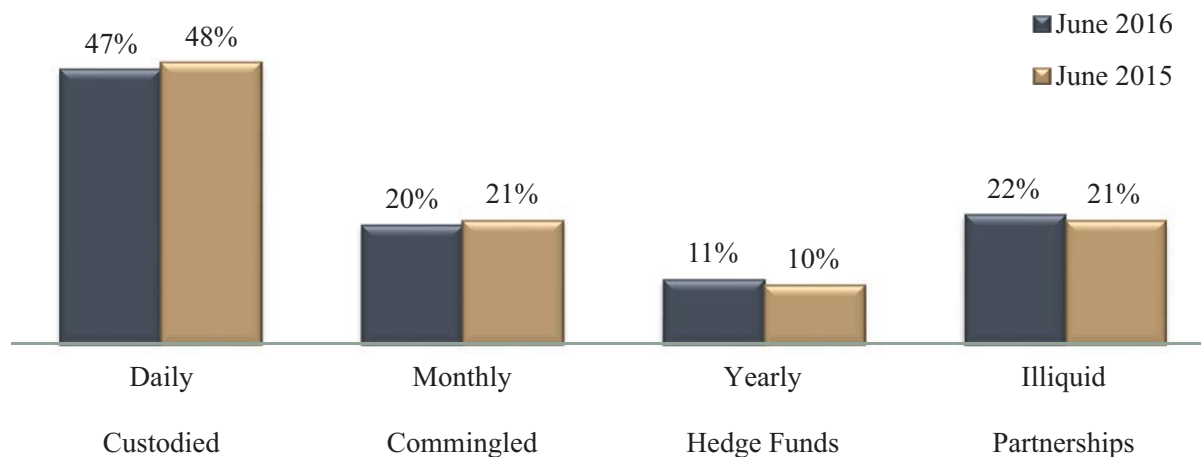


As shown above, Penn State's LTIP returned -0.8% net for Fiscal 2016, very near the -0.4% return of the Passive Portfolio over the trailing 12 months. For the 3- and 5-year periods, the Long-Term Investment Pool's annualized returns of 6.4% and 6.8% outpaced the Passive Portfolio's returns of 6.3% and 5.6%, respectively. These returns indicate that, over the long term, LTIP was able to outperform passive indexes through selection of active investment managers and broad diversification of assets as shown on the previous page.

The Passive Portfolio provides a guidepost to help achieve long-term results that are consistent with the twin objectives of purchasing-power preservation, along with stable LTIP spending. LTIP's performance varies from the *static* Passive Portfolio as a consequence of several factors, including, but not limited to, the timing of cash-flows, tactical shifts in asset mix, and individual investment manager performance and turnover.

Long-Term Investment Pool Liquidity

Financial crises are characterized, among other considerations, by lack of liquidity, as institutions are unable to meet current obligations due to lack of available cash. In the graph below, LTIP assets are classified according to how quickly they can be converted to cash. Securities listed on exchanges or traded over-the-counter, and held in custody as separately managed accounts, can be liquidated on a daily basis (typically 1- and 3-day settlement for bonds and stocks, respectively). Commingled portfolios, i.e., collectively-managed investment pools of publicly-traded securities, are eligible for purchase or sale at least once a month. Hedge fund partnerships are typically open for at least partial liquidation once a year, with a few having more and/or less frequent liquidity “windows.” Non-marketable partnerships are considered illiquid primarily because of the inability of limited partner investors to transact at will.



Observations from the blue (left) bars of each of the four pairs above for the period ending June 30, 2016:

- 47% percent of LTIP assets are invested in stocks and bonds that can be converted to cash in a matter of days. Of this, 10% is currently held in money market accounts and short-term fixed income investments.
- Commingled portfolios, primarily non-US public equities, comprise 20% of LTIP assets and can be converted to cash within 30 days or, in some cases, sooner. Commingled investment structures are used for non-US holdings in lieu of registering in individual countries where foreign companies are headquartered.
- 11% of LTIP assets are invested in various diversifying hedge fund partnerships and can be at least partially converted to cash annually or, in many cases, quarterly.
- 22% percent of LTIP assets are invested in more than 100 different partnership funds or other non-marketable investments that are considered illiquid because underlying holdings are typically not readily marketable or the timing of future realizations into cash distributions is uncertain.

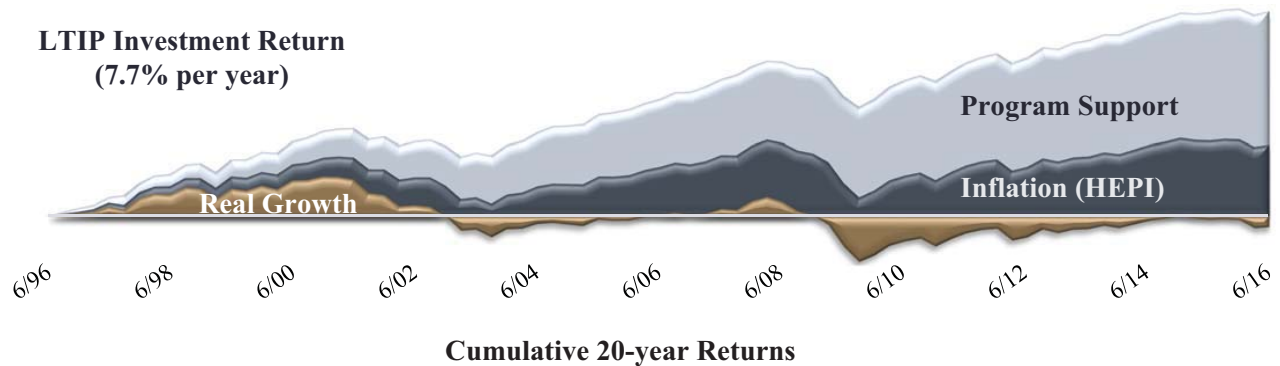
The foregoing indicates that LTIP maintains sufficient liquidity to satisfy anticipated cash requirements.

Liquidity Trends

As shown above, the liquidity profile of Penn State’s LTIP has shifted somewhat from the end of Fiscal 2015 (tan bars) to the end of Fiscal 2016 (blue bars). Daily liquidity dipped slightly to 47% with increased short-term investments, while monthly liquidity decreased from 21% to 20%. Yearly liquidity rose to 11%, while illiquid non-marketable alternative assets increased from 21% to 22%. Over time, stepped up commitments to partnerships will gradually result in larger representation by non-marketable investments.

Long-Term LTIP Growth and Spending

In the chart below, the top line represents the cumulative net investment return of the Penn State Long-Term Investment Pool (LTIP) over the last 20 years, averaging 7.7% per year. The layers illustrate investment returns apportioned to program support (spending, as previously discussed on pages 2 and 3) and inflation (as measured by the Higher Education Price Index [HEPI]), with the remaining residual representing net, real (inflation-adjusted) growth.



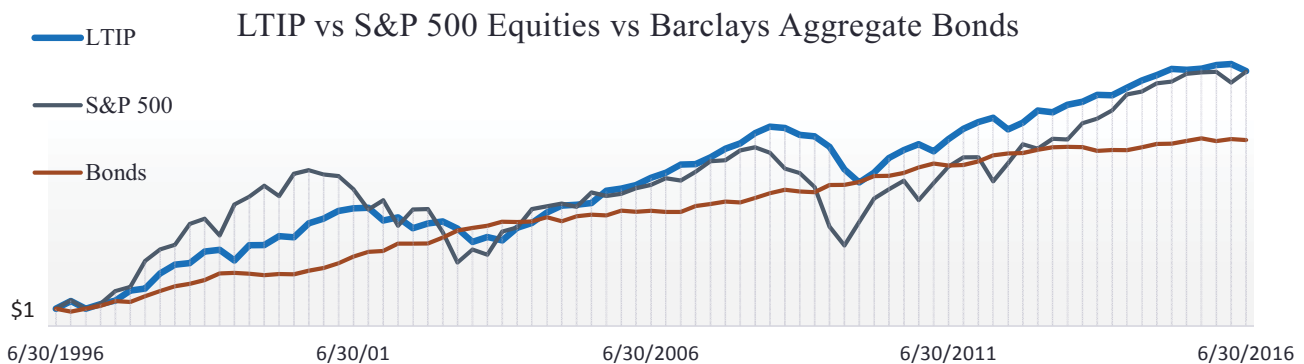
LTIP’s primary investment goal is to earn a long-term rate of return sufficient to support *current* spending and to preserve *future* purchasing power. This two-pronged objective is illustrated by apportioning total nominal (i.e., before adjusting for inflation) investment return (topmost line above) into discrete layers, representing program support and inflation, along with a residual layer corresponding to net *real* growth.

Because investment returns periodically fluctuate (illustrated by the jagged topography above), real growth, which nets out program support and inflation from total LTIP return, oscillates across the horizontal “intergenerational equity” line. While market fluctuations have caused the growth layer to swing positive and negative around the horizontal line, intergenerational equity has largely been achieved.

20 Years of LTIP Growth Relative to Equities and Bonds

The top line of the chart above, representing the growth of \$1 compounded at LTIP’s average annual return of 7.7% for 20 years ending 6/30/2016, is compared in the chart below (LTIP- thick blue line) to the same period cumulative returns for the S&P 500 Index (S&P 500- green line) and Barclays Aggregate Bonds (BAGG- brown line).

As shown, the 20-year cumulative growth for LTIP’s diversified portfolio has essentially matched that of the S&P 500 Index with less-pronounced oscillations, indicating LTIP was less volatile than equities over the same period. Both have clearly outpaced the growth of \$1 invested in bonds (BAGG). It is observed that LTIP would have outpaced any mix, within a balanced portfolio, of these representative index returns for equities and bonds over this time period.



| AMENDED AND RESTATED BYLAWS
THE CORPORATION FOR PENN STATE

ARTICLE I INTRODUCTORY

Section 1.01	Definition of Bylaws
Section 1.02	Purposes and Powers

ARTICLE II OFFICES AND AGENCY

Section 2.01	Principal and Branch Offices
Section 2.02	Location of Registered Office

ARTICLE III MEMBERSHIP

Section 3.01	3.02 Definition of Membership
Section 3.02	Membership Assessments
Section 3.03	Place of Members' Meetings
Section 3.04	Annual Members' Meetings
Section 3.05	Special Members' Meetings
Section 3.06	3.07 Notice of Members' Meetings
Section 3.08	Proxy Voting Prohibited
Section 3.09	Quorum of and Action by Members
Section 3.11	Transferability of Membership
Section 3.12	Termination of Membership

ARTICLE IV DIRECTORS

Section 4.01	Definition of Board of Directors
Section 4.02	Structure of Board
Section 4.0 <u>2</u> 3	Qualifications of Directors
Section 4.0 <u>3</u> 4	Number of Directors
Section 4.05	Election of Directors
Section 4.0 <u>4</u> 6	Terms of Directors
Section 4.0 <u>5</u> 7	Vacancies on the Board
Section 4.0 <u>6</u> 8	Place of Directors' Meetings
Section 4.0 <u>9</u> 7	Regular Directors' Meetings
Section 4.0 <u>8</u> 10	Notice of Special Directors' Meetings
Section 4.0 <u>9</u> 11	Call of Special Board Meetings
Section 4.1 <u>0</u> 2	Waiver of Notice
Section 4.1 <u>1</u> 3	Quorum of Directors
Section 4.1 <u>2</u> 4	Participation in Meetings by Conference Telephone
Section 4.1 <u>3</u> 5	Powers
Section 4.1 <u>4</u> 6	Removal of Directors by Members

ARTICLE V OFFICERS

Section 5.01	Roster of Officers
Section 5.02	Selection of Officers
Section 5.03	Multiple Officeholders
Section 5.04	Chairman of the Board
Section 5.05	President
Section 5.06	Vice President
Section 5.07	Secretary
Section 5.08	Treasurer
Section 5.09	Removal of Officers
Section 5.10	Delegation of Office

ARTICLE VI INFORMATIONAL ACTION

Section 6.01 ~~Waiver of Notice~~
~~Section 6.02~~ Action by Consent

ARTICLE VII OPERATIONS

Section 7.01 Fiscal Year
Section 7.02 Execution of Documents
Section 7.03 Books and Records
~~Section 7.04 Inspection of Books and Records~~
Section 7.04⁵ Nonprofit Operations
Section 7.05⁶ Loans to Management

ARTICLE VIII INDEMNIFICATION OF DIRECTORS AND OFFICERS AND OTHER PERSONS

Section 8.01 Indemnification
Section 8.02 Advances
Section 8.03 Insurance

ARTICLE IX INTERPRETATION OF BYLAWS

Interpretation of Bylaws

ARTICLE X AMENDMENT

Section 10.01 Modification of Bylaws
~~Adoption of Bylaws~~

ARTICLE I**INTRODUCTORY**

Section 1.01– Definition of Bylaws. These Bylaws constitute the code of rules adopted by The Corporation for Penn State for the regulation and management of its affairs.

Section 1.02 Purposes and Powers. This Corporation will have the purposes and powers as are stated in its Articles of Incorporation.

ARTICLE II**OFFICES AND AGENCY**

Section 2.01 Principal and Branch Offices. The principal place of business of this Corporation in Pennsylvania will be located at ~~20540~~ Old Main Building, University Park, Pennsylvania. In addition, the Corporation may maintain other offices either within or without the Commonwealth of Pennsylvania as its business requires.

Section 2.02 Location of Registered Office. The location of the registered office of this Corporation is stated in the Articles of Incorporation. Such office will be continuously maintained in the Commonwealth of Pennsylvania for the duration of this Corporation. The Board of Directors may from time to time change the address of its registered office by duly adopted resolution and amend its Articles or file the appropriate statement with the Department of State.

ARTICLE III**MEMBERSHIP**

Section 3.01 Definition of Membership. The Pennsylvania State University shall be the sole member of ~~Members of~~ this Corporation ~~are those persons having membership rights in accordance with the provisions of the Articles of Incorporation.~~

Section 3.02 Memberships shall be nonassessable.

~~**Section 3.03 — Place of Members' Meetings.** Meetings of members will be held at such places within or without the Commonwealth of Pennsylvania as may be fixed from time to time by the Board of Directors or other persons entitled to call a meeting of the Members.~~

~~**Section 3.04 — Annual Members' Meetings.** The annual meeting of the Members will be held in the month of January or on such date and at such time as the Board of Directors may determine. At such annual meetings there shall be held an election of Directors.~~

~~**Section 3.05 — Special Members' Meetings.** Special meetings of the Members may be called by either of the following: 1) The Board of Directors; 2) The Chairman of the Board; 3) The President; 4) Members having at least twenty percent (20%) of the votes which all members are entitled to cast at such meeting.~~

~~Upon the written request of any person or persons entitled to call a special meeting, which request shall set forth the general purpose for which the meeting is desired, it shall be the duty of the Secretary to fix the date of such meeting to be held at such time, not less than five (5) nor more than sixty (60) days after the receipt of such request, as the Secretary may determine, and to give due notice thereof. If the Secretary shall neglect or refuse to fix the date of such meeting and to give notice thereof within five days after receipt of such request, the person or persons calling the meeting may do so.~~

~~**Section 3.06 — Notice of Members' Meetings.** Written or printed notice, stating the place, day, and hour of the meeting and, in the case of a special meeting, the general purpose or purposes for which the meeting is called, must be delivered not less than five (5) nor more than sixty (60) days before the date of the members' meeting, either personally, by registered or certified first class mail, or by telegram by or at the direction of the Chairman of the Board, the President, the Secretary, or the officers or other persons or Members calling the meeting, to each Member entitled to vote at such meeting. If mailed, the notice will be deemed to be delivered when deposited in the United States mail addressed to the Member at his address as it appears on the records of the Corporation, with postage prepaid.~~

~~**Section 3.07** — Each member will be entitled to one vote on each matter submitted to vote of members.~~

~~**Section 3.08 — Proxy Voting Prohibited.** A member may vote only in person.~~

~~Section 309 Quorum of Action by Members. A quorum of a meeting of Members shall be twelve (12). The vote of a majority of Members present at a meeting at which a quorum is present is necessary for the adoption of any matter voted on by the Members, unless a greater proportion is required by the Nonprofit Corporation Law of 1972, the Articles of Incorporation of this Corporation, or any provision of these bylaws.~~

~~Section 3.11 Transferability of Membership. Membership in this Corporation is nontransferable and nonassignable.~~

~~Section 3.12 Termination of Membership. Membership will terminate in this Corporation on either of the following events, and for no other reason: 1) Receipt by the Board of Directors of the written resignation of a Member, executed by such Member or his duly authorized attorney in fact; 2) The death of a member; 3) For cause, inconsistent with membership after notice, trial, and conviction; 4) In the event the Member ceases to be member of the Board of Trustees of The Pennsylvania State University.~~

ARTICLE IV

DIRECTORS

Section 4.01 Definition of Board of Directors. The Board of Directors is that group of persons vested with the management of the business and affairs of this Corporation.

~~Section 4.02 Structure of Board. The Board of Directors of this Corporation will constitute a single class.~~

~~Section 4.0302 Appointment Qualifications of Directors. The qualifications for becoming and remaining a Director of this Corporation are as follows: 1) Directors must be of full age, need not be residents of the Commonwealth of Pennsylvania and need not be Members of this Corporation. The Board of Trustees of the Member shall annually appoint the members of the Board of Directors.~~

Section 4.0403 Number of Directors. The number of Directors of this Corporation will not be less than seven (7) nor more than eleven (11) as shall be determined from time to time by the Member of this Corporation.~~s of this Corporation.~~

~~**Section 4.05 Election of Directors.** Cumulative voting for the election of Directors is prohibited. The persons receiving the highest number of votes by the Members shall be elected to the Board of Directors.~~

Section 4.0604 Terms of Directors. ~~The Directors constituting the first Board of Directors will hold office until the first annual election of Directors in January 1986. Thereafter,~~ Directors will serve until the next annual meeting of the Members and until their successors are duly appointed ~~elected~~ and qualified or until their earlier resignation or removal.

Section 4.0705 Vacancies on the Board. Any vacancy occurring in the Board of Directors may ~~will~~ be filled by appointment by the Chairman of the Board or the Member. The new Director appointed to fill the vacancy will serve for the unexpired term of the predecessor in office and until a successor is duly appointed ~~elected~~ and qualified.

Section 4.0806 Place of Directors' Meetings. Meetings of the Board of Directors, regular or special, will be held at such place within the Commonwealth of Pennsylvania or elsewhere as a majority of the Directors may from time to time ~~appoint or as may be~~ designated in the resolution or notice, as applicable.

Section 4.0907 Regular Directors' Meetings. A regular meeting of the Board of Directors shall be held ~~annually, annually, immediately following the annual meeting of the Members at the place where such meeting of the Members is held or at such other place, date and hour as a majority of the newly elected Director~~ on such date and at such set time and place as the Board of Directors may designate. At such meeting, the Board of Directors shall elect officers of the Corporation and transact such other business that may come before the meeting. In addition to such annual regular meeting, the Board of Directors shall have the power to fix by resolution the place, date and hour of other regular meetings of

the Board. ~~If so fixed, This provision of the Bylaws constitutes notice to all Directors of regular meetings for all years and instances, and~~ no further notice shall be required although such notice may be given.

Section 4.1008 Notice of Special Directors' Meetings. Written or printed notice stating the place, day, and hour of any special meeting of the Board of Directors shall be given to each Director not less than one (1) day before the date of the meeting, ~~either~~ personally or by ~~first class mail, facsimile, or email,~~ by or at the discretion of the Chairman of the Board, the President, or the Secretary, or the Directors calling the meeting. ~~If mailed, such notice will be deemed to be delivered when deposited in the United States mail by registered or certified mail addressed to the Director at his address as it appears on the records of this Corporation, with postage prepaid.~~ Such notice need not state the business to be transacted at, nor the purpose of, such meeting.

Section 4.1109 Call of Special Board Meetings. A special meeting of the Board of Directors may be called by ~~any of the following either:~~ 1) The Chairman of the Board; 2) The President; ~~or~~ 3) A majority of the Board of Directors.

Section 4.1210 Waiver of Notice. Attendance of a Director at any meeting of the Board of Directors will constitute a waiver of notice of such meeting except where such Director attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened.

Section 4.1311 Quorum of Directors. A majority of the whole Board of Directors will constitute a quorum. The act of a majority of the Directors present at a meeting at which a quorum is present will be the act of the Board of Directors unless a greater number is required under ~~applicable laws of the Commonwealth of Pennsylvania the provisions of the Nonprofit Corporation Law of 1972,~~ the Articles of Incorporation of this corporation, or any provision of these Bylaws.

Section 4.1412 Participation in Meetings by Conference Telephone. Any director may participate in any meeting of the Board of Directors or any committee (provided he is otherwise entitled to participate), be counted for the purpose of determining a quorum thereof and exercise all rights and privileges to which he might be entitled were he personally in attendance, including the right to vote, by

means of conference telephone or other similar communications equipment by means of which all persons participating in the meeting can hear each other. Participation in a meeting pursuant to this section shall constitute presence in person at such meeting.

Section 4.1513 Powers (a) General Powers – The Board of Directors shall have all the power and authority granted by law to the Board, including all powers necessary or appropriate to the management of the business and affairs of the Corporation.

(b) Specific Powers – Without limiting the general powers conferred by the last preceding clause and the powers conferred by the Articles and these Bylaws of the Corporation, it is hereby expressly declared that the Board of Directors shall have the following powers:

(1) To confer upon any officer or officers of the Corporation the power to choose, remove or suspend assistant officers, agents or servants.

(2) To appoint any person, firm or corporation to accept and hold in trust for the corporation any property belonging to the Corporation or in which it is interested, and to authorize any such person, firm or corporation to execute any documents and perform any duties that may be requisite in relation to any such trust.

(3) To appoint a person or persons to vote shares of another corporation held and owned by the Corporation.

(4) By resolution adopted by a majority of the whole Board of Directors, to designate one or more committees, each committee to consist of two or more of the Directors of the Corporation. To the extent provided in any such resolution and to the extent permitted by law, a committee so designated shall have and may exercise the authority of the Board of Directors in the management of the business and affairs of the Corporation. The Board of Directors may designate one or more Directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. If specifically granted this power by the Board in its resolution establishing the committee, in the absence or disqualification of any member and all designated alternates of such committee or committees or if the whole Board of Directors has failed to designate alternate members, the member or members thereof present at

any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another Director to act at the meeting in the place of any such absent or disqualified member.

(5) To fix the compensation of Directors and officers for their services.

Section 4.1614 Removal of Directors by Members. The entire Board of Directors or any individual Director may be removed from office without assigning any cause by the ~~vote of a majority of the Members of the Corporation.~~ In case the Board of Directors or any one or more Director is so removed, new Directors may be ~~appointed~~ elected at the same time.

ARTICLE V

OFFICERS

Section 5.01 Roster of Officers. The Officers of this Corporation will consist of the following personnel:

- (1) A Chairman of the Board-
- (2) A President
- (3) A Vice President
- (4) A Secretary and an Assistant Secretary
- (5) A Treasurer and an Assistant Treasurer

Section 5.02 Selection of Officers. Each of the Officers of this Corporation will be elected and appointed annually by the Board of Directors. Each Officer will remain in office until a successor to such office has been selected and qualified. Such election will take place at the ~~regular annual~~ regular annual meeting of the Board of Directors ~~taking place immediately following the annual meeting of the Members.~~

Section 5.03 Multiple Officeholders. In any election of Officers, the Board of Directors may elect and appoint a single person to any two or more offices simultaneously ~~(except that the offices of President, Secretary and Treasurer must be held by separate individuals).~~

Section 5.04 Chairman of the Board. The Chairman of the Board shall preside at the meetings of the Board of Directors and shall perform such other duties as may be provided in these Bylaws or as may be prescribed from time to time by the Board of Directors.

Section 5.05 President. The President will be the Chief Executive Officer of this Corporation and will, subject to the control of the Board of Directors or Directoral Committees, supervise and control the affairs of the Corporation. The President will perform all duties incident to such office and such other duties as may be provided in these Bylaws or as may be prescribed from time to time by the Board of Directors.

Section 5.06 Vice President. The Vice President will perform all duties and exercise all powers of the President when the President is absent or is otherwise unable to act. The Vice President will perform such other duties as may be prescribed from time to time by the Board of Directors.

Section 5.07 Secretary. The Secretary will keep minutes of all meetings of the Members and of the Board of Directors, will be the custodian of the corporate records, will give all notices as are required by law or by these Bylaws, and, generally, will perform all duties incident to the office of Secretary and other such duties as may be required by law, by the Articles of Incorporation, or by these Bylaws, or which may be assigned from time to time by the Board of Directors.

Section 5.08 Treasurer. The Treasurer will have charge and custody of all funds and securities of this Corporation, will deposit the funds and securities in such banks or depositories as required by the Board of Directors, will sign checks made by this Corporation, will keep and maintain adequate and correct accounts of the Corporation's properties and business transactions, will render reports and accountings to the Directors and to the Members as required by the Board of Directors or the Members or by law, and will perform in general all duties incident to the office of Treasurer and such other duties as may be required by law, by the Articles of Incorporation, or by these Bylaws, or which may be assigned from time to time by the Board of Directors. He shall give such bond, if any, for the faithful performance of his duties as shall be required by the Board of Directors and any such bond shall be in the custody of the Secretary.

Section 5.09 Removal of Officers. Any Officer ~~elected or~~ appointed to office shall serve at the pleasure of the Board of Directors and may be removed by the Board whenever in their judgment the best interests of this Corporation will be served. However, such removal will be without prejudice to any contract rights of the Officer so removed.

Section 5.10 Delegation of Office. The Board may delegate the powers or duties of any Officer of the Corporation to any other person from time to time.

ARTICLE VI

INFORMAL ACTION

Section 6.01 Waiver of Notice. ~~Whenever any notice whatever is required to be given under the provisions of applicable law of the Commonwealth of Pennsylvania the Nonprofit Corporation Law of 1972, the Articles of Incorporation of this Corporation, or these Bylaws, a waiver of such notice in writing signed by the person or persons entitled to notice, whether before or after the time stated in such waiver, will be deemed equivalent to the giving of such notice. Such waiver must, in the case of a special meeting of Members, specify the general nature of the business to be transacted.~~

~~Section 6.02 Action by Consent.~~ Any action required by law or under the Articles of Incorporation of this Corporation or these Bylaws, or any action which otherwise may be taken at a meeting of ~~either~~ the Members or Board of Directors may be taken without a meeting if a consent in writing, setting forth the action so taken, is signed by all of the persons entitled to vote with respect to the subject matter of such consent, or all Directors in office, and filed with the Secretary of the Corporation. Such written consent may be executed in one or more counterparts, all of which together shall be one and the same instrument.

ARTICLE VII

OPERATIONS

Section 7.01 Fiscal Year. The fiscal year of this corporation shall be from July 1 through June 30.

Section 7.02 Execution of Documents. Except as otherwise provided by law, checks, drafts, promissory notes, orders for the payment of money, and other evidences of indebtedness of this Corporation will be signed by the Treasurer. Contracts, leases, or other instruments executed in the name of and on behalf of the Corporation will be signed by the President, ~~or~~ the Vice President, ~~or~~ the Treasurer or Assistant Treasurer ~~and attested by the Secretary or Assistant Secretary.~~

Section 7.03 Books and Records. This Corporation will keep correct and complete books and records of account, and will also keep minutes of the proceedings of ~~the its~~ Members, ~~the~~ Board of Directors, and ~~any~~ Directoral Committees. The Corporation will keep at its principal place of business ~~a membership register giving the names, addresses, and other details of the membership of each, and~~ the original or a copy of its Bylaws including amendments to date certified by the Secretary of the Corporation.

~~**Section 7.04 Inspection of Books and Records.** All books and records of this Corporation may be inspected by any Member, or his agent or attorney, for any proper purpose at any reasonable time on written demand under oath stating such purpose.~~

~~—~~**Section 7.045 Nonprofit Operations.** This Corporation will not have or issue shares of stocks. No dividend will be paid, and no part of the income of this Corporation will be distributed to ~~its the~~ Members, Directors, or Officers. However, the Corporation may pay compensation in a reasonable amount to ~~Members,~~ Officers, or Directors for services rendered.

Section 7.056 Loans to Management. This Corporation will make no loans to any of its Directors or Officers or to any of its key management or other personnel.

ARTICLE VIII

INDEMNIFICATION OF DIRECTORS AND OFFICERS AND OTHER PERSONS

Section 8.01 Indemnification. The Corporation shall indemnify any Director or Officer of the Corporation against expenses (including legal fees), judgments, fines and amounts paid in settlement,

actually and reasonably incurred by him to the fullest extent now or hereafter permitted by law in connection with any threatened, pending or completed action, suit or proceedings, whether civil, criminal, administrative or investigative, brought or threatened to be brought against him, including actions or suits by or in the right of the Corporation, by reason of the fact that he is or was a Director or Officer of the Corporation, its parent or any of its subsidiaries, or acted as a Director or Officer or in any other capacity on behalf of the corporation, its parent or any of its subsidiaries or is or was serving at the request of the Corporation as a Director, Officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise.

The Board of Directors by resolution may similarly indemnify any person other than a Director or Officer of the Corporation to the fullest extent now or hereafter permitted by law for liabilities incurred by him in connection with services rendered by him for or at the request of the Corporation, its parent or any of its subsidiaries.

The provisions of this section shall be applicable to all actions, suits or proceedings commenced after its adoption, whether such arise out of acts or omissions which occurred prior or subsequent to such adoption and shall continue as to a person who has ceased to be a Director or Officer or to render services for or at the request of the Corporation and shall insure to the benefit of the heirs, executors and administrators of such a person. The rights of indemnification provided for herein shall not be deemed the exclusive rights to which any Director, Officer, employee or agent of the Corporation may be entitled.

Section 8.02 Advances. The Corporation may pay the expenses incurred by any person entitled to be indemnified by the Corporation in defending a civil or criminal action, suit or proceeding in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking, by or on behalf of such person, to repay such amount unless it shall ultimately be determined that he is entitled to be indemnified by the Corporation as authorized by law.

Section 8.03 Insurance. The Corporation may purchase and maintain insurance on behalf of any person who is or was a Director, Officer, employee or agent of the Corporation or who is or was serving in any capacity in any other corporation or organization at the request of the Corporation against any liability asserted against him or incurred by him in any such capacity or arising out of his status as

such, whether or not the Corporation would have the power to indemnify him against such liability under law.

ARTICLE IX

INTERPRETATION OF BYLAWS

Section 9.01—All words, terms and provisions of these Bylaws shall be interpreted and defined by and in accordance with applicable laws of the Commonwealth of Pennsylvania as in effect the Pennsylvania Nonprofit Corporation Law of 1972, as amended, and as amended from time to time thereafter.

ARTICLE X

AMENDMENT

Section 10.1 Modification of Bylaws. The power to alter, amend, or repeal these Bylaws, or to adopt new Bylaws, insofar as is allowed by law, is vested in the Board of Directors.

Adopted: _____, 2016