

THE PENNSYLVANIA STATE UNIVERSITY
BOARD OF TRUSTEES
CONFLICT OF INTEREST DISCLOSURE AND CERTIFICATION
SUMMARY REPORT

December 18, 2013

1. All members of the Board of Trustees are required on an annual basis to disclose known “conflicts of interest” under and as defined in the Bylaws and to make certain other disclosures. All members completed and signed a “Right to Know Law Questionnaire” and a “Conflict of Interest Disclosure and Certification Questionnaire” distributed by the Office of the Board of Trustees.

The questionnaires asked members to disclose financial interests and other matters and whether, to his or her actual knowledge, such member had a “conflict of interest” under and as defined in the University’s Bylaws. In response to the questionnaires, the following disclosures were made. In addition, with the consent of the affected trustee, certain disclosures were supplemented by the University based on its records.

Note that these disclosures may include matters that are not “conflicts of interest” under and as defined in the Bylaws but are provided for informational purposes.

James S. Broadhurst

Mr. Broadhurst owns a greater than 10% equity interest in Eat N’ Park Hospitality Group, Inc., which provides regional foodservice through its restaurants, college and corporate campus dining facilities, retirement communities and hospitals. Mr. Broadhurst is not aware of any specific services provided to the University.

Thomas G. Corbett

Governor Corbett is the Governor of the Commonwealth of Pennsylvania, which provides material financial support to the University on a continuing basis.

Richard K. Dandrea

Prior to the date on which Mr. Dandrea was elected to the Board of Trustees, his daughter received a Schreyer Honors College scholarship in the amount of \$3,500.00.

The University has engaged the law firm of Eckert Seamans, of which Mr. Dandrea is a partner to provide legal services to the University. Mr. Dandrea will not be involved with the matter or with any of the services provided.

Barbara Doran

Ms. Doran is an employee of Morgan Stanley. Morgan Stanley has been the University's main broker for the process of liquidating gifts of securities to the University since prior to the date on which Ms. Doran became a member of the Board. Ms. Doran will not be involved in any way with the services provided by Morgan Stanley.

Ellen M. Ferretti

Ms. Ferretti is the Acting Secretary of the Commonwealth Department of Conservation and Natural Resources, which gives and/or receives grants to and from the University. Ms. Ferretti has indicated that she will delegate all signatory authority in connection with such grants.

Kenneth C. Frazier

Mr. Frazier is the Chairman and Chief Executive Officer of Merck, Inc. The University, including the Milton S. Hershey Medical Center, may from time to time purchase goods and/or services from Merck, although Mr. Frazier is not aware of any specific transactions and is not directly involved with negotiations or details for any of the goods and/or services provided.

Peter A. Khoury

Mr. Khoury's brother, Anthony, received the Valeria Hoffert Memorial Scholarship in the amount of \$1,000.00.

Ira M. Lubert

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

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

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

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

Joel P. Myers

Accuweather, Inc., a company in which Joel P. Myers owns a greater than 10% equity interest, engaged in six separate transactions with Penn State during the period July 1, 2012 to June 30, 2013 in which Accuweather provided goods and/or services to the University. The aggregate amount paid to Accuweather during this period was \$21,446.95.

Accuweather, Inc. purchased goods and/or services from the University's College of Earth and Mineral Science. The total amount paid by Accuweather for such goods and/or services during the period July 1, 2012 through June 30, 2013 was \$4,500.00.

Accuweather, Inc. made donations to the University during the period July 1, 2012 through June 30, 2013 totaling \$34,400.00.

StateCollege.com, a company in which a family member of Joel P. Myers owns a greater than 10% equity interest, received advertising revenue from the University during the period July 1, 2012 through June 30, 2013, as follows:

Penn State Hotels: \$1595.00 per month

Penn State School of Theatre: \$500.00 per month

Penn State Golf Courses: \$2,100.00 per year.

Penn State Men's Basketball: \$3,500.00 in 2013.

StateCollege.com provides a \$35,000.00 in-kind donation to THON each year.

Getwireless.net, a company in which a family member of Joel P. Myers owns a greater than 10% equity interest, provided web hosting and internet services to University units as follows:

CALPER web hosting: \$199 per month

Penn State THON: \$95.00 per month

Penn State Stone Valley internet service for remote site: \$9,120.00 per year.

Penn State Ag Progress internet service for remote site: \$5,005.00 in 2013

Karen B. Peetz

Ms. Peetz is the President of The Bank of New York Mellon Corporation. BNY Mellon has a diverse banking relationship with the University that precedes the date of Ms. Peetz' election to the Board. Ms. Peetz is not directly involved with any of the negotiations or details for any of the services provided.

Paul H. Silvis

Mr. Silvis' wife owns a greater than 10% equity interest in the Mt. Nittany Inn, a restaurant in Centre Hall, Pennsylvania. University employees dine at the restaurant occasionally and use the banquet room for meetings. During the period July 1, 2012 through June 30, 2012, the University paid a total of \$18,776.32 for 33 events at the Mt. Nittany Inn.

3. All members of the Board signed and delivered to the Office of the Board of Trustees the following acknowledgement together with the completed Conflict of Interest Disclosure and Certification Questionnaire:

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

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

4. No members of the Board disclosed that they had spouses and dependent children employed by the University or an affiliated entity whose compensation exceeded \$10,000 except as follows:

Rodney Erickson – Jeffrey Erickson [son] is a supervising attorney in Penn State's Rural Economic Development Clinic.

5. No members of the Board disclosed that they did business with another member of the Board, except as follows:

BNY Mellon provides banking and other services to Merck, Inc. Karen B. Peetz is the President of The Bank of New York Mellon Corporation. Kenneth C. Frazier is the Chairman and CEO of Merck, Inc.

6. Trustees Clemens, Lubrano, Taliaferro and McCombie are among the named plaintiffs in a lawsuit filed against the National Collegiate Athletic Association. The University believes that the trustees' status as plaintiffs in this litigation constitutes a conflict of interest.