1. Discussion of Consent Agenda Items Provided for Information or Approval of the Committee on Finance and Physical Plant:

Information Items -

1) Construction of North Frear Building Addition, University Park
2) Construction of the Arboretum Overlook Pavilion, University Park
3) Naming of Rooms, Portions of Buildings and Plazas
4) Status of Major Construction Programs and Borrowing
5) Investment Review of Endowment and Similar Funds
6) Summary and Designation of Gifts Received by the University
7) Summary of New Funds
8) Summary of Major Commitments

Action Items -

8) Summary of Revisions to Existing Scholarships, Fellowships, etc.
9) Acknowledgments of Endowments and Other Major Commitments

(See Appendix I)

2. Proposed Naming of “Arena Road” Between Park Avenue and Orchard Road, University Park

The Facilities Naming Committee has recommended that the Board of Trustees name the road that runs east of the Snider Agricultural Arena between Park Avenue and Orchard Road, “Arena Road.”

Will the Committee on Finance and Physical Plant recommend to the Board of Trustees adoption of the following resolution:

RESOLVED, That the road that runs east of the Snider Agricultural Arena, between Park Avenue and Orchard Road is named “Arena Road,” University Park.

(See Appendix II)

3. Conflict of Interest - Approval of Contracts and Transactions

The Bylaws of the University, Article 6(1), provide that, "No member of the Board of Trustees, any member's spouse or any corporation, partnership, association or other organization in which one or more members of the Board of Trustees, or any member's spouse or minor child has beneficial ownership of ten (10%) percent or more, shall enter into any contract or transaction valued at $10,000 or more with the University unless the contract has been awarded through an open and public bidding process, in accordance with University Purchasing Policy, or has been fully disclosed to the Board of Trustees and approved by the affirmative votes of a majority of the disinterested members of the Board of Trustees."

Trustee Emerita Marian U. Coppersmith has a beneficial ownership of more than 10 percent of The Barash Group which does business as Barash Publication and Town & Gown Magazine.

It is proposed that the University, through Penn State Hospitality Services, enter into a contract with The Barash Group for advertisements in each monthly publication of the Town & Gown Magazine, advertising in the Town & Gown Gift Guide and the Town & Gown Dining Guide, and advertising in the Football and Basketball Annuals at an annual cost not to exceed $17,500.
3. **Conflict of Interest - Approval of Contracts and Transactions** (Continued)

In addition, it is proposed that the University, through The Center for the Performing Arts, contract with The Barash Group to purchase various advertisements in the *Town & Gown Magazine*, and the *Arts Festival Guide*, as well as various visitor guides, maps and other publications produced by The Barash Group at a cost not to exceed $20,000.

Will the Committee on Finance and Physical Plant recommend to the Board of Trustees adoption of the following resolutions:

**RESOLVED,** That the proposal whereby the University, through Penn State Hospitality Services, will contract with The Barash Group for a half-page advertisement in each monthly publication of the *Town & Gown Magazine*, for advertising in the *Town & Gown Gift Guide* and the *Town & Gown Dining Guide*, as well as advertising in the *Football and Basketball Annuals* at an annual cost not to exceed $17,500 is approved.

**FURTHER RESOLVED,** That the proposal whereby the University, through The Center for the Performing Arts, will contract with The Barash Group to purchase various advertisements in the *Town & Gown Magazine* and the *Arts Festival Guide*, as well as various visitor guides, maps and other publications produced by The Barash Group at an annual cost not to exceed $20,000 is approved.

4. **Conflict of Interest - Approval of Contracts and Transactions**

The Bylaws of the University, Article 6(1), provide that, "No member of the Board of Trustees, any member's spouse or any corporation, partnership, association or other organization in which one or more members of the Board of Trustees, or any member's spouse or minor child has a beneficial ownership of ten (10%) percent or more, shall enter into any contract or transaction valued at $10,000 or more with the University unless the contract has been awarded through an open and public bidding process or has been fully disclosed to the Board of Trustees and approved by the affirmative votes of a majority of the disinterested members of the Board of Trustees."

Trustee Ira Lubert has a beneficial interest of more than 10% in Independence Capital Partners (ICP) which is the management company for several private investment firms which span venture capital, buyout, and real estate portfolios. Member firms conduct their operations and investment activities independently, but share investment expertise and utilize a common infrastructure. Penn State's Long-Term Investment Pool has invested previously in two funds sponsored by ICP (prior to Mr. Lubert's membership on the Board of Trustees): Lubert Adler Real Estate Fund V, L.P. (2006; $3.5 million) and Rubenstein Properties Fund, L.P., (2005; $10 million), as approved by the Penn State Investment Council (PSIC). PSIC was established by action of the Board of Trustees in September 2000 to provide direct oversight of the University's endowment long-term investment program.

At its meeting of February 8, 2008, PSIC approved additional commitments to funds sponsored by ICP: $10 million to Lubert Adler Real Estate Fund VI, L.P. and $20 million to LLR Equity Partners III, L.P., a private equity firm that provides capital to middle market growth companies. Each ICP fund is individually and separately owned by its senior investment managers and makes investments in its own distinct asset class. Mr. Lubert is a principal in each of the ICP member firms. Mr. Lubert, as a general partner in these funds, is entitled to a portion of each fund's profits ("carried interest"), which for both funds is 20% after the investors (limited partners) receive a preferred return and all contributed capital.
4. **Conflict of Interest - Approval of Contracts and Transactions** (Continued)

The process of sourcing and recommending private capital investments by the University's Office of Investment Management (OIM) is rigorous and typically involves several months of due diligence performed by its private capital consultants, Franklin Park Associates, LLC. Primary factors in making such recommendations include experience of the general partner's team and a proven attractive track record. Upon completion of all vetting and due diligence, private capital fund offerings deemed worthy of investment are recommended by OIM to PSIC for final review and approval. Franklin Park has recommended that the University consider investing in Lubert Adler Real Estate Fund VI, L.P. and LLR Equity Partners III, L.P.

It is proposed that the University, through the Office of Investment Management and the Penn State Investment Council, commit funds from the Long-Term Investment Pool as follows:

1. The amount of $10 million to Lubert Adler Real Estate Fund V, L.P.
2. The amount of $20 million to LLR Equity Partners III, L.P.

Will the Committee on Finance and Physical Plant recommend to the Board of Trustees adoption of the following resolutions:

RESOLVED, that the recommendation of the Penn State Investment Council to commit $10 million in the Long-Term Investment Pool to Lubert Adler Real Estate Fund VI, L.P. is approved.

FURTHER RESOLVED, that the recommendation of the Penn State Investment Council to commit $20 million in the Long-Term Investment Pool to LLR Equity Partners III, L.P. is approved.

5. **Proposed Appointment of an Architect, Residence Hall, Penn State Harrisburg**

The Subcommittee on Architect/Engineer Selection will make a report and recommendation on the appointment of an architect for the Residence Hall at Penn State Harrisburg.

6. **Proposed Sale of Portions of Former Mellon Property (Whitehall Road), University Park**

In July 1999, the University acquired approximately 1,100 acres of undeveloped land at various locations throughout Centre County, Pennsylvania, from the Mellon Family Trust and the Richard King Mellon Foundation. The purchase resulted in the University acquiring six (6) tracts of land, comprised of sixteen (16) separately deeded parcels, for $3,800,000. Terms of this purchase do not obligate the University to retain these tracts, and since that time the University has considered various proposals regarding use of the properties.

The University has one such undeveloped parcel, comprised of almost 565 acres located along Whitehall Road in Ferguson Township, which has been determined to have no strategic importance to the University. A study conducted by Centre Region Parks and Recreation identified a regional need for more soccer, baseball, basketball and tennis facilities, as well as picnic and pavilion areas. It was determined by an Ad Hoc Regional Park Committee, created by the Centre Region Council of Governments (COG), that the Whitehall Road parcel was an appropriate location for such facilities.
6. Proposed Sale of Portions of Former Mellon Property (Whitehall Road), University Park
(Continued)

As a result, the Centre Region Council of Governments and Ferguson Township have offered to acquire a 75-acre portion of this property from the University at the University’s cost of $230,775, contingent upon COG receiving grant funds from the Commonwealth’s Department of Conservation and Natural Resources (DCNR) to be supplemented by the Township.

Ferguson Township has also requested an option to buy an additional 25-acre parcel adjacent to the 75-acre parcel. The option to buy, having a 10-year duration, will stipulate that the value of the property will be determined through an appraisal of the property at the time of the transaction, which will require approval of the University’s Board of Trustees.

Finally, in order to conserve a parcel between the proposed playfields and Whitehall Road, the State College Borough Water Authority has requested to purchase a 59-acre portion of the property for $383,500.

The sale to COG and Ferguson Township and the option to buy to Ferguson Township will be subject to deed restrictions obligating the municipalities to use the property for public purposes and recreation as a public park. The deed to the State College Borough Water Authority will reflect that the property is to be used as a water recharge area and remain in an undeveloped state.

Will the Committee on Finance and Physical Plant recommend to the Board of Trustees adoption of the following resolutions:

RESOLVED, That the Board of Trustees approves the sale of 75 acres in Ferguson Township, Centre County, Pennsylvania, to the Centre Region Council of Governments and Ferguson Township in the amount of $230,775, subject to a deed restriction defining its public use.

BE IT FURTHER RESOLVED, That the Board of Trustees approves granting Ferguson Township a 10-year, option to buy agreement for 25 acres in Ferguson Township, Centre County, Pennsylvania, subject to a deed restriction defining its public use and providing for the Board of Trustees having approval of the sales transaction.

BE IT FURTHER RESOLVED, That the Board of Trustees approves the sale of 59 acres in Ferguson Township, Centre County, Pennsylvania, to State College Borough Water Authority in the amount of $383,500, subject to a deed restriction that the property will be used as a water recharge area and remain in an undeveloped state.

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

7. Proposed Purchase of Gallagher Property, Penn State Erie, The Behrend College

The University has the opportunity to acquire property from Matthew M. Gallagher and Thomas P. Gallagher located at 4397 Station Road, Harborcreek Township, Erie County. The acquisition provides the opportunity for future campus development and eliminates the possibility of adverse ownership.
7. Proposed Purchase of Gallagher Property, Penn State Erie, The Behrend College (Continued)

The 1.93 acre property, including a 1½ story, 4-bedroom residence and detached 4 car garage, has been offered to the University for $176,000. The property has been inspected by campus representatives and the Office of Physical Plant and found to be in good condition.

Will the Committee on Finance and Physical Plant recommend to the Board of Trustees adoption of the following resolutions:

RESOLVED, That the Board of Trustees approves the acquisition of the property containing 1.93 acres located at 4397 Station Road, Harborcreek Township, Erie County, from Matthew M. Gallagher and Thomas P. Gallagher for $176,000.

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

8. Proposed Purchase of Higgins Property, Penn State DuBois

The University has the opportunity to acquire property from Joyce A. Higgins located at 308 East Second Avenue, DuBois, Clearfield County. The acquisition provides the opportunity for future campus development and eliminates the possibility of adverse ownership.

The .22 acre property, including a 2 story, 4-bedroom residence and detached 2 car garage, has been offered to the University for $115,000. The property has been inspected by campus representatives and the Office of Physical Plant and found to be in good condition.

Will the Committee on Finance and Physical Plant recommend to the Board of Trustees adoption of the following resolutions:

RESOLVED, That the Board of Trustees approves the acquisition of the property containing .22 acres located at 308 East Second Avenue, DuBois, Clearfield County from Joyce A. Higgins for $115,000.

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

9. Proposed Purchase of Evans Estate Property, Penn State Brandywine

The University has the opportunity to acquire property from the estate of Elaine A. Evans located at 568 Middletown Road, Middletown Township, Delaware County. The acquisition provides the opportunity for future campus development and eliminates the possibility of adverse ownership.

The approximate 4 acre property, including a 1 story 3-bedroom residence and detached 2 car garage, has been offered to the University for $775,000. The acquisition is contingent upon the University obtaining a zoning change to the I-2 Institutional District, including a conditional use for post-secondary schools. The property has been inspected by campus representatives and the Office of Physical Plant and found to be in good condition.
9. **Proposed Purchase of Evans Estate Property, Penn State Brandywine** (Continued)

Will the Committee on Finance and Physical Plant recommend to the Board of Trustees adoption of the following resolutions:

RESOLVED, That the Board of Trustees approves the acquisition of the property containing approximately 4 acres located at 568 Middletown Road, Middletown Township, Delaware County, from the estate of Elaine A. Evans for $775,000.

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

10. **Proposed Revision to Policy and Procedure for Naming University Facilities (AD-5)**

It is recommended that the Policy and Procedure for Naming University Facilities (AD-5) be amended. Presently, University policy addresses only the naming of facilities. Incorporating the naming of academic units like campuses, colleges, schools, departments, etc., modernizes the policy and reflects current University practice of naming major academic units for substantial gifts. The Board of Trustees continues to have the responsibility of naming major academic entities.

Recommended changes also provide guidance in two areas of increasing concern to all public charities, including universities. The first area concerns the duration of someone's name on a facility and obligates the University to retain the name on a facility only for the useful life of the structure, however long that may be, and declares that the University is not obligated to build a replacement facility and name it for the original donor should the originally named structure ever be razed. The second area concerns the revocation of a name on a facility or academic unit. Institutions, including some Big Ten universities, have faced difficult circumstances over the past decade respective to the continuance of a name on a building or academic unit when doing so may not be in the best interest of the institution. The recommended change provides a course of action for the administration and the Board of Trustees to follow, should they so choose, if Penn State faced such circumstances.

Will the Committee on Finance and Physical Plant recommend to the Board of Trustees approval of the following revisions to the policy and procedure for Naming University Facilities:

**POLICY AD05 - NAMING UNIVERSITY FACILITIES AND ACADEMIC UNITS**

**PURPOSE:**

To state the University's policy on naming University facilities and academic units.

**GENERAL:**

It is the policy of the University to name certain of its facilities (buildings, parts of buildings, roads, and plazas) and academic units (campuses, colleges, schools, departments, centers and institutes), in honor of benefactors (individuals, corporations, and private foundations), and persons other parties who have made substantial contributions to the University or to education in general.
Guidelines:

The following guidelines apply:

1. Ordinarily, University facilities and academic units buildings, roads, and plazas will not be named for persons who are actively involved in or related to University operations. This includes members of the faculty and staff, board of trustees, advisory boards, legislators, and governmental officials. University facilities buildings, roads, and plazas may be named for persons who have retired from active employment with the University after a sufficient time has elapsed from the date of the individual's retirement. This date should be determined by the Facilities Naming Committee.

2. When naming University facilities buildings, parts of buildings, roads and plazas for corporations, the appropriateness of the corporate name in a public context should be taken into consideration. If the name of a corporation changes after a University facility is named for the corporation, the name of the University facility would remain the same unless a change is recommended by the Facilities Naming Committee in accordance with this policy. Corporate names may not be used for academic units such as colleges, schools, and departments.

3. When possible, building names should include a designation of their primary function:
   - Student living and dining quarters are designated as "halls" or "commons."
   - Buildings occupied by laboratories are designated as "laboratory."
   - Buildings primarily occupied by offices and classrooms are to be designated "building."
   - Special-use buildings may bear the name of that use separately or in combination with a person's name, for example, McCoy Natatorium or Pattee Library.

4. Parts of a building or area may be named separately to recognize benefactors who wish to underwrite the cost of the sub-unit or portion thereof, or persons who have made substantial contributions to the University or to education in general. In such cases, an appropriate plaque may be installed to acknowledge the naming. In such cases where the actual naming of the sub-unit may not be appropriate (individual faculty or staff office), an appropriate plaque may be installed outside of the office to acknowledge the contribution by the benefactor.

5. A uniform system of external marking of buildings is to be used University wide. These external markings should be approved by the Office of Physical Plant. In instances where buildings are named for benefactors or others, a plaque may be located in the lobby or other appropriate area of the building giving the full name and brief identification of those honored.

6. It is the general University policy to name buildings for benefactors (or parties benefactors are seeking to honor) only with the required minimum gift commitment of 50 percent of the cost of the funding needed for new construction or major renovations. Such a gift commitment must be payable over a five-year pledge term. The amount will vary with each individual situation and this requirement should be viewed as a guideline. The University President has authority to make exceptions and recommend the naming action to the Board of Trustees for approval.

7. Gifts made through an irrevocable deferred gift technique--including, but not limited to a charitable remainder trust, pooled income fund, charitable gift annuity, deferred pledge agreement (estate note), or contract to make a will--have special considerations as follows:
   a. Such gifts generally will not be accepted for the purpose of naming new University buildings or parts of new buildings for which contributions from private sources are needed for construction costs.
10. **Proposed Revision to Policy and Procedure for Naming University Facilities (AD-5)** (Continued)

b. Ordinarily, such gifts may be accepted for the purpose of naming existing University buildings, or parts of buildings, provided there is no current need of funds for building renovations or expansion and that the face value of the gift is at least 75 percent of the replacement value of the building.

c. Such gifts shall be accepted for the purpose of naming existing buildings, or parts of buildings, only if they are unrestricted. When received, the gift may be used by the then current college/campus dean or chief executive chancellor for worthy priorities of the college/campus.

8. It is the general policy of the University that roads, plazas, parts of buildings, and other appropriate areas named after benefactors will require the benefactor to contribute a predominant portion of the cost of the road, plaza, or sub-unit. The amount required for such naming will be determined by the President of the University upon the recommendation of the Facilities Naming Committee.

9. **The duration of the benefactor’s name association with any building, or part of a building, be that benefactor an individual or an organization, shall remain in place for the useful life of that building, or part thereof so designated, subject to conditions set forth in the Authority to Name section of this Policy. In the event that a building, or any part thereof, named for a benefactor is removed or replaced at the expiration of its useful life, the University shall not be obligated to continue the name, nor shall it be obligated to name any new construction intended to replace the building, or any part thereof, after the benefactor. The University may seek other means to recognize the benefactor after the useful life of the building.**

10. **For substantial contributions, the University may, following internal consultation and with the prior approval of the Board of Trustees, name a University academic unit in honor of an individual.**

**POLICY IMPLEMENTATION:**

**The leadership of academic units may forward recommendations for naming of such units to the University President for consideration and subsequent recommendation to the Board of Trustees.**

The administrative committee on naming University facilities advises and makes recommendations to the President of the University on appropriate names for specific buildings, parts of buildings, roads, and plazas at all University locations. The committee is composed of the following members:

1. Associate to the President for Administration, Chair of the Committee.
2. Senior Vice President for Development and Alumni Relations.
3. Vice President for Commonwealth Campuses
5. Chair of the University Faculty Senate.
6. Associate Vice President for Physical Plant.

Communications with the committee should be through the **Office of the Senior Associate Vice President for Physical Plant, Secretary of the Committee Development and Alumni Relations**. Recommendations for naming a facility assigned to a specific academic or administrative unit will normally originate from the administrative officer of that particular unit. The committee will work closely with the dean or administrative
10. **Proposed Revision to Policy and Procedure for Naming University Facilities (AD-5)**

(Continued)

officer to ensure that recommendations reflect University policy. In the case of facilities not assigned to specific units, the committee may generate the initial recommendations, based on available information.

Committee recommendations to the President should conform to the objectives outlined above. The committee shall keep a current list of all existing buildings that are appropriate for naming, if accompanied by a gift, deferred gift, or pledge commitment. This list should be reviewed annually by the Senior Vice President for Development and Alumni Relations and other appropriate University officials.

**AUTHORITY TO NAME:**

After receiving the committee recommendation for naming parts of buildings and plazas, the President of the University has the authority to make the final decision on the naming opportunity and apprise the Board of Trustees of his/her action.

In situations where parts of buildings and plazas may be funded by gifts, final negotiation with potential benefactors should not take place without first seeking the approval of the Facilities Naming Committee and the President of the University. The President, through the committee, will charge the appropriate administrative officer to negotiate with potential benefactors.

After receiving the committee's recommendations for naming buildings and roads, the President makes final recommendations to the Board of Trustees for consideration and action.

In situations where buildings are funded by gifts, and donor relations are of a sensitive nature, the President may seek concurrence from the President and Vice President of the Board of Trustees and make the final decision on naming the building or road. These cases will then be presented for information at the next meeting of the Board of Trustees.

Under no circumstances should final negotiations take place between an administrative officer of the University and a potential donor in naming a building or road without first seeking the approval of the Facilities Naming Committee and the President of the University.

If a building name is not forthcoming at the time the building has been completed, and a name is needed for identification purposes, only a generic name should be used, thus reserving the prerogative to bring forward a name that meets the established criteria at a later date. Examples of such generic names are: Oak Hall, Electrical Engineering East, Research West Building, North Hall, University Library, Music Building, etc.

**In situations where a naming opportunity exists for an academic unit, the President has the authority to make final recommendations to the Board of Trustees for consideration and action.**

The Board of Trustees shall have the authority to revoke the name of a University facility or academic unit in the event that the benefactor for whom the facility or academic unit was named: (i) is later convicted of a felony; or (ii) engages in conduct which, in the sole discretion of the Board of Trustees, is significantly detrimental to the reputation of the benefactor, such that continued name association between such individual and a University facility or academic unit would be contrary to the best interests of the University. If the benefactor is a corporation, the authority to revoke the name of a University facility bearing such corporation’s name shall be exercisable by the Board of Trustees, upon recommendation of the President, in the event that any of the officers or directors of such corporation are later convicted of a felony or incur civil sanctions in their capacity as officers or directors of such corporation, which crimes or sanctions, in the sole discretion of the Board of Trustees, are significantly detrimental to the reputation of the corporation, such that continued name association between such corporation and a University...
10. Proposed Revision to Policy and Procedure for Naming University Facilities (AD-5) (Continued)

facility would be contrary to the best interests of the University. Prior to the approval of a name revocation by the Board of Trustees as provided in this paragraph, the University shall provide the benefactor, or a representative of the benefactor, the opportunity to voluntarily relinquish the name from the University facility or academic unit, as the case may be.

abe - indicates deletion
abc - indicates addition


John Nelson, of Moody’s Public Finance Group, is Managing Director of Moody’s Health Care, Higher Education, and Infrastructure rating teams. Mr. Nelson will present information on the changing economic and financial position of public universities; the implications of these changes for governance and management; top indicators of good management and governance and how governance and management affects a public university’s credit position and access to capital markets

13. Photo Report on Selected Construction Projects

A photo report on the progress of selected construction projects will be presented at the meeting.

14. Pending Legal Matters

An informational report will be presented on pending legal matters relating to policies normally considered by the Committee on Finance and Physical Plant.