A meeting of the Board of Trustees was held in Room 109/110 Gallagher Conference Center of the Penn State Worthington Scranton Campus, Dumore, Pennsylvania, at 1:30 p.m. on July 13, 2012.

The following Trustees were present: Peetz (chairman), Masser (vice chairman), Alexander, Allan, Arnelle, Broadhurst, Clemens, Cotner, Dambly, Deviney, Eckel, Erickson, Frazier, Garban, Greig, Hayes, Hintz, Huber, Khoury, Lubert, Lubrano, McCombie, Myers, Shaffer, Silvis, Strumpf, Suhey, Taliaferro, and Tomalis; and Trustee Emeritus Wolff.

Present by invitation were faculty representatives Backer, Yarnal and Hufnagel; student representatives Clark, Fisher, and Lennartz; Penn State Worthington Scranton representatives Krogh-Jespersen, Scranton, Rivera-Barnes, and Greenlaw; staff members Ammerman, DiRaimo, Faulkner, Foley, Gray, Hanes, Kirsch, Mahon, Mulroy-Degenhart, Pangborn, Paz, Poole, Sims, and Weidemann; and presenters Smarilli and Tombros.

Chairman Peetz had the following remarks:

"As you know, yesterday Judge Louis Freeh released his report stemming from the investigation that the Board asked him to undertake last November.

"We are grateful that the report, however difficult it was to read, has provided greater clarity about what happened on the Penn State campus.

"By now, most of you have had the chance to read either the summary of the report, or the news coverage of it. It is sufficient to say that the investigation concluded that certain people at the University who were in a position to protect children or confront the predator failed to do so.

"What the report also concluded was that the Board of Trustees failed to provide proper oversight of the University.

"As we said yesterday, the Board, as the group that has paramount accountability for overseeing and ensuring the proper functioning and governance of the University, accepts full responsibility for each of the failures that occurred. In cooperation with the Administration, we will take every action to ensure that events like these never happen again in our university community.

"Beyond providing an objective account of what wrongdoings occurred in the past, the report contains a number of recommendations to help our university move forward.

"The Board takes these recommendations seriously, and I want you to know that they will result in changes, beginning here and beginning today. Today, we will consider a number of immediate next steps with the objective of ensuring that a collapse in leadership of this magnitude never happens again.

"As you may know, in January Judge Freeh released some of his recommendations, and the Board has already made changes in response—such as implementing specific oversight committees focused on Risk, Audit, Legal, Compliance, Governance, Academic Excellence and Human Resources. Overall, we are committed to a more active, structured and robust oversight role.

"In an effort to carefully yet expeditiously digest the additional recommendations presented yesterday, I will direct individual committees of the board to review the sections of the report that apply to your specific functions and responsibilities. My expectation is that we will be able to consider preliminary responses and action plans at our next Board of Trustees meeting in September."
"I know that many of you have questions about the report, and to the extent that we can answer your questions and concerns, we will. Immediately following this meeting we will have a press conference, and we invite you to attend.

"It will be held in Room 112 of this building, just across the lobby."

Chairman Peetz called on Chancellor Mary-Beth Krogh-Jespersen who welcomed the Board to Penn State Worthington Scranton. Chairman Peetz welcomed new members to the Board, Donald Cotner, Anthony Lubrano, Ryan McCombie, and Adam Taliaferro. She also welcomed the University Faculty Senate Officers Larry Backer, Brenton Yarnal and Pamela Hufnagel; student representatives Ben Clark, Wanika Fisher, and Courtney Lennartz; Academic Leadership chair, Bobbi Komer; and Penn State Worthington Scranton representatives Maryla Scranton, chair of the Penn State Worthington Scranton Advisory Board, Beatriz Rivera Barnes, chair of the Penn Worthington Scranton Faculty Senate, and Julia Marie Greenlaw, president of the Penn State Worthington Scranton Student Government Association. Constituent group representation to Board committees were also introduced, Roger Egolf, Ginny Hosterman and Katie Smarilli.

It was voted to approve the minutes of the meeting of the Board held on May 4, 2012.

President's Report

Dr. Erickson's report is included in its entirety:

"Good afternoon. I want to begin by thanking Chancellor Krogh-Jespersen and her staff for hosting us this week. We sincerely appreciate the opportunity to hold our meeting here, and realize that it is a large undertaking—especially this week, with the release of the Freeh Report and the additional associated media and public attention. Please join me in giving the Chancellor and her hardworking staff a round of applause. [Applause.]"

"Thank you. We'll have the chance to hear from Mary-Beth after my remarks.

"To begin, I want to make a brief statement about the Freeh Report. As I mentioned at our press conference yesterday, I was horrified when I learned of the allegations against Jerry Sandusky last November. Over the past few months, and especially following the release of the Freeh Report, it has become clear to me that we need to reconsider our community's leadership culture—especially with regard to how the Administration works with the Board of Trustees. We've begun to work together much more collaboratively and productively, and that's why I especially welcome our meetings today.

"Given the depth and breadth of this report, it will take some time to review, analyze and discuss the report's findings and how best we can implement the changes. From our initial review, it's clear that Judge Freeh has delivered a comprehensive account that provides needed clarity for our university, and on behalf of Penn State, I thank him and his team for their professionalism and hard work.

"Beyond providing greater understanding of what happened in the past, Judge Freeh's report offers a roadmap to help Penn State continue to move forward.

"In the weeks ahead, we will need to carefully review and consider each of the report's recommendations, and to guide the process, we have developed a series of immediate next steps.

"First, in keeping with the Board of Trustees' responsibility as the governing body of the University, Chairman Peetz has directed the individual committees of the board to review the sections of the report that apply to their specific functions and responsibilities, and to provide preliminary responses and action plans.

"Second, I have appointed a team to coordinate and implement operational changes suggested by the Freeh Report. This group includes Tom Poole, vice president for administration; David Gray, senior vice president for Finance and Business; and Stephen Dunham, vice president and general counsel, pending his confirmation later this afternoon. Together, these individuals bring more than 70 years of experience in higher education,
an appropriate lens through which to knowledgeably weigh the potential impact and feasibility of the report’s recommendations. The group will report directly to me and have the necessary authority and resources to implement corrective or proactive measures.

"Ultimately, the Board of Trustees will see that the plan is implemented.

"During the review and implementation process, we will continue to share information with the public on our progress through the aptly named website, www.progress.psu.edu.

"The report's interim recommendations have already helped our community move forward in many ways, and I expect that the recommendations delivered in the final report will help us continue on that path.

"To date, Penn State has taken a number of actions including: strengthening policies and programs involving minors, including child abuse and mandated reporter training; ensuring a process for prompt reporting of abuse and sexual misconduct; hiring a new Clery Compliance Coordinator and providing Clery Act training for employees; beginning a national search for the newly created position of director of University Compliance; and restructuring within the Board of Trustees to ensure diligent governance of the University.

"We are committed to addressing our failings. But this report also reinforces our commitment to helping to build greater awareness of the societal issue of child abuse. Child sexual abuse happened at Penn State, but it also happens, every day, in communities across Pennsylvania, the United States and the world. That is why Penn State has also undertaken a number of actions to help build greater awareness of the societal issue of child sexual abuse, and to be a constructive participant in preventing, reporting and responding to such abuse. This is a problem that plagues many other communities, and we have a special duty to increase awareness, prevention, and treatment of child sexual abuse.

"We have partnered with leading organizations in this field. We are planning a national conference for this fall at University Park to focus on educating the public about the signs of, response to and prevention of child sexual abuse. We've created a Presidential Task Force on Child Maltreatment to bring together a broad spectrum of faculty from across the University to coordinate and develop research, clinical practice, outreach and education on child maltreatment. In addition, Penn State has formed a partnership with the Pennsylvania Coalition Against Rape and the National Sexual Violence Resource Center to extend the collective reach of their programs, and Penn State has donated more than $2.6 million to abuse prevention efforts since November of last year.

"While yesterday's issuance of the Freeh Report provides some level of clarity for our community, it does not undo the pain that the victims of Jerry Sandusky have experienced, and continue to experience. Penn State has partnered with Praesidium to arrange counseling services for those who suffered abuse from Sandusky, and we're working to help the victims of child abuse in every way we can.

"We realize that we are still at the beginning of this process and we have many challenges ahead. But as I pointed out yesterday, the Freeh Report notes that in spite of the challenges we have faced over the past few months, Penn State 'is an outstanding institution, nationally renowned for its excellence in academics and research.' We are committed to continuing to move forward and are grateful for our outstanding students, faculty, staff, alumni, parents and friends, and their excellent work that contributes so much to our institution, the Commonwealth and the world.

"Against this backdrop, I wish to share some notable achievements in recent weeks.

"Later this afternoon I will provide a detailed report on the budget, but at this time, I wish to express our gratitude to the Governor and those in the General Assembly who worked to provide level funding for Penn State, as well as the other state-related and state institutions. We recognize that there are many competing interests for limited state dollars, and we're committed to offering a superb return on that investment. Given my heritage of Scandinavian frugality, I have a history of getting the cost-saving assignments. I assure you we will continue to promote the virtues of thrift at Penn State.
"I was also greatly encouraged by the collaboration evidenced in this year's budget process, and hope that it represents a renewal of the historic close working relationship between our institution and the state. By aligning our efforts, I believe we can help fulfill our mutual goals of providing an educated workforce, economic growth, discovery and innovation, and service to the Commonwealth of Pennsylvania.

"To that end, I'm pleased to be participating on the Governor's Advisory Commission for Postsecondary Education through this summer and into the fall. This is a group of about 30 people including college and university presidents, as well as government and business leaders. Governor Corbett asked us for recommendations that would help establish and maintain 'a robust and responsive postsecondary education system in the Commonwealth for the 21st century.'

"As a starting point, it's important to recognize that Pennsylvania's system of postsecondary education as a whole is remarkably strong and successful. For example, Pennsylvania is the No. 1 state in the nation for attracting out-of-state college students, and it has three of the top-20 research universities in the United States. This is accomplished very efficiently and has proven to be an excellent value in relation to per capita government spending. We hope to build on that tradition and strength as Pennsylvania prepares for a changing world, increasing global competition, and a knowledge economy.

"At Penn State, we believe we can meet those goals through excellence in teaching, research and service, and it's heartening to know that families place their confidence, and their students, with us for higher education. Despite the challenges over the last eight months, Penn State remains the top choice for tens of thousands of high achieving students.

"Total applications for all campuses are approaching 120,000, which is about 1,000 ahead of last year. Undergraduate applications continue to run about two percent ahead of last year's record pace, and more than 6,000 ahead of two years ago. Minority applications are ahead by more than three percent, and we continue to see robust growth in international undergraduate applications at both University Park and the Commonwealth Campuses. And graduate applications continue to come in at record numbers, up 2 percent over last year.

"The predictions for the final enrollments of new first-year baccalaureate students for summer and fall indicate that we should come very close to the goal of 7,400, a modest increase over the original target of 7,200 for University Park. Our net enrollment for the Commonwealth Campuses is slightly down from last year, but we're still receiving applications and deposits, and the gap is closing. Many of our Commonwealth Campus students are juggling families and jobs, so their decision-making timeframe is very different than that of our traditional students.

"Another bright spot in admissions comes from the World Campus. Undergraduate and graduate course enrollments are up 19 percent this year, with nearly 47,000 course enrollments, many serving non-traditional and place-bound students. We expect that number of enrollments to triple over the next decade or so.

"Meanwhile, our physical campuses have also been vibrant hubs of activity in recent months.

"In May, University Park hosted U.S. Agriculture Secretary Tom Vilsack and Cathie Woteki, the undersecretary of research education, as they commemorated the 150th anniversary of both the U.S. Department of Agriculture and the system of Land Grant universities. Penn State currently has more than 60 active USDA research grants totaling more than $30 million, so we took the opportunity to showcase our research laboratories, and to hold meetings with Penn State faculty and representatives from 4-H and FFA.

"One of the highlights of the day was a lecture by Secretary Vilsack to a capacity crowd during which he emphasized the importance of agricultural research at institutions such as Penn State. He believes that continuing groundbreaking and innovative research in agriculture can help create more job opportunities in Pennsylvania and nationwide.
"As I reported in May, our research enterprise continues to be very strong. At the close of the fiscal year, new awards for research to Penn State are up more than 11 percent over last year, at more than $769 million. In addition to the new knowledge that comes from this funding, these dollars have an immediate impact through research jobs, graduate assistantships, equipment purchases and staff support positions. Not to belabor the point, but these research dollars also lead to spinoff ventures that multiply the impact in our communities.

"One example of research that hits close to home--given the $3-plus gas prices--can be found at Penn State Erie, The Behrend College, where a group of students designed and built a lightweight, single-seat test car that won the Society of Automotive Engineers' 2012 International Supermileage Challenge. The car went nearly 1,500 miles on a single gallon of gas. As you can see, the car was larger than a breadbox while weighing a scant 91 pounds, and its full throttle speed was just over 15 mph--so in addition to saving on gas, you would also save on traffic tickets.

"Another notable student achievement involves a very familiar face--former trustee Rodney Hughes, who served on this Board as a graduate student from July 2008 until May of last year. Rodney, a doctoral candidate in the Higher Education program, received a prestigious dissertation grant from the National Science Foundation to support his research on one of the hottest topics in higher education: tuition pricing, admissions, and student outcomes. Rodney's background in economics combined with his intelligence, work ethic, and the insights gained serving on this board should help him make a significant contribution to institutional research on admissions and outcomes in the United States.

"I'd like to share one other research award today, and that comes from the Eberly College of Science. Anton Nekrutenko, associate professor of biochemistry and molecular biology, was awarded a $5.8 million grant from the National Science Foundation and the National Institutes of Health to expand Galaxy, the biomedical analysis software he co-developed at Penn State in 2005. Galaxy is an open-source, web-based platform that makes cutting-edge research and large quantities of scientific data available to clinical researchers around the world. By enabling researchers to freely exchange information and to collaborate more effectively, Dr. Nekrutenko's project will continue to have an important effect on public health.

"Improving public health is central to the mission of the Penn State Hershey Children's Hospital, and this spring it received some well-deserved recognition.

"In U.S. News & World Report rankings, Penn State Hershey Children's Hospital was ranked among the nation's best in three specialties: orthopedics, cancer and endocrinology. The Children's Hospital ranked in two specialties last year and first made the Best Children's Hospitals list in 2008. The Health Rankings Editor at U.S. News & World Report noted, 'Penn State Hershey has a reservoir of dedication and expertise that helps the sickest kids. Our goal at U.S. News is to identify and call attention to pediatric centers like this one.'

"Congratulations go to Hal Paz, Penn State Milton S. Hershey Medical Center CEO, senior vice president for health affairs, and dean of the Penn State College of Medicine, for this high praise, along with the fact that he has collected some recognition of his own. Hal was named to Becker's Hospital Review's recently released list of 100 Physician Leaders of Hospitals and Health Systems, which features some of the top physician leaders in healthcare. Thank you Hal for your leadership, dedication to the medical profession, and your commitment to patients.

"While we always enjoy our success in rankings, we're also watching other indicators that help us determine how well we're reaching our goals of preparing educated and well-trained individuals who are able to succeed in the world. These include: job placement and satisfaction for our graduates as well as alumni loyalty and support, and in these areas I also have some good news.

"This spring we saw an increase in the number of organizations attending our Spring Career Days, and that trend is continuing for Penn State's Fall Career Days. To date, the number of organizations registered represents a 9 percent increase over this time last year.
Our students take these career days very seriously—getting haircuts and changing their flip flops for real shoes for the occasion to interview for full-time jobs, as well as internships and co-op opportunities.

"Since the founding of the Peace Corps in 1961, Penn State has been a leader in producing graduates interested in serving others. That tradition continues and this year, a record number of our graduates will join the Teach for America program. At least 70 students signed up to help expand educational opportunities for elementary and secondary students in low-income areas. According to a Teach for America representative, Penn State students tend to be very well-suited for Teach for America, and many alumni have gone on to join the corps in the past. I’m proud that so many Penn Staters have chosen to contribute their talent and intelligence to service, while enhancing their own skills and opportunities.

"Another indicator we like to check on periodically is our connection to alumni. I’m happy to report that record numbers of alumni—young and old—are staying in touch with us through the Penn State Alumni Association. At the close of this past fiscal year, the Penn State’s Alumni Association’s annual snapshot of membership numbers showed a 2.4 percent growth over the previous year, increasing to nearly 170,000. As you may know, this makes it the largest dues-paying alumni association in the world.

"We also have some of the most generous alumni and friends as well…especially this year. Peter Tombros, chair of For the Future: The Campaign for Penn State Students, will give you a full report of our fundraising activities later this afternoon, so I’ll simply express our gratitude to those who have helped us reach the second highest gift total in history and set a new record for number of gifts.

"Please join me in recognizing the outstanding efforts of Peter Tombros, Rod Kirsch, our senior vice president for development and alumni relations, and his staff for their tireless work on behalf of Penn State. [Applause.]

"I now want to turn your attention to what has been described as ‘an athlete's ultimate test of their worth’--the Olympics. Nineteen Penn Staters will be heading to London to represent countries including the United States, Great Britain, Israel, Mexico, Canada, Suriname, and Puerto Rico.

"They’ll be competing in sports including volleyball, gymnastics, track & field, women’s rowing, fencing, women's soccer and cycling. Many of the Olympic competitors are recent graduates, but four are current students and one is a Penn State Volunteer Coach for Track & Field. Bobby Lea, who will be competing in Cycling, graduated from Penn State Lehigh Valley. We’ll be following the athletes on Penn State Live and through the Intercollegiate Athletics site, so I urge you to watch for and cheer on your fellow Penn Staters.

"Finally, I'd like to take a moment for a special recognition.

"Later today, the Board of Trustees will vote on a resolution to recognize Lloyd and Dottie Huck for their years of service and philanthropy to Penn State by naming the Life Sciences Building on the University Park campus in their honor. I'd like to take a few minutes to share just a little of their Penn State story.

"Lloyd and Dottie met as undergraduates at the University, and their commitment to their alma mater has continued to grow over the decades. Lloyd has chaired the University's Board of Trustees and served as president of the Penn State Alumni Association, and they have both been leaders in our development efforts. The Hucks' own philanthropy has been visionary, allowing the University to become a pioneer in important emerging disciplines.

"In the early 1980s, Lloyd and Dottie invested in Penn State's early biotechnology efforts, and they helped to create the University's first home for the life sciences with their gift to the Wartik Building. They have supported the University's faculty, students, and research initiatives in fields ranging from molecular biology to nutrition, and the Huck Institutes of the Life Sciences were named in their honor in 2002.
"The naming of the J. Lloyd and Dorothy Foehr Huck Life Sciences Building will create a visible reminder in the heart of the University Park campus that Penn State's achievements in the life sciences and many other fields would not be possible without these two remarkable alumni. Lloyd and Dottie couldn't be here today but we'll have a chance to recognize them in the future.

"Now I'll be happy to take your questions."

President Erickson received comments concerning:

• Challenges Penn State faces in the future to continue to keep education at affordable rates with the ever increasing costs in higher education.
• Philosophy on what a "21st century" education will be—analytical qualities, working in teams and interdisciplinary groups, and global engagement.
• World Campus related items—challenges and opportunities.
• A university president's role in relationship to a governing board's oversight responsibilities.
• Land-grant institution, and how it changed.
• Commendation of President Erickson and senior staff for their perseverance and leadership through this difficult time.

Informational Report on Penn State Worthington Scranton

Dr. Mary-Beth Krogh-Jespersen, Chancellor, presented a report highlighting the activities and achievements of Worthington Scranton as well as her vision for future direction of the campus. [A visual presentation was made.]

Operating Budget for the University for the Fiscal Year Beginning July 1, 2012

Dr. Rodney A. Erickson, President of the University, provided a report on the 2012-2013 Operating Budget. [A visual presentation was made.]

Reports from Standing Committees

A. Committee on Academic Affairs and Student Life

Chair Alexander reported that a quorum of the Committee on Academic Affairs and Student Life was present with the following members in attendance: Alexander (chair), Khoury (vice chair), Peetz and Erickson (ex officio), Hayes, McCombie, Taliaferro, and Tomalis.

Chair Alexander reported that since the last meeting, the Committee had an opportunity to hear from faculty at Penn State Worthington Scranton about their focus on student success through undergraduate teaching and high quality research integrating technology and tradition in their newly renovated science labs.

The committee also had the opportunity to hear information on two areas: 1) the issue of student debt; and 2) a possible new awards program for innovative teaching and learning.

The Committee on Academic Affairs and Student Life recommended that the Board of Trustees approve the following resolution:

1. RESOLVED, That the Board of Trustees approves President Rodney A. Erickson's appointment of Stephen Dunham as Vice President and General Counsel effective July 16, 2012.

The Board voted to approve the action item as recommended by the Committee on Academic Affairs and Student Life.
The Committee received the following items for information:

1. Information on Undergraduate Programs

   a) Bachelor of Arts in Theatre, General Theatre Studies Option, Theatre Performance Option, Dance Performance Option and Multicultural Performance Option: New Options in the College of Arts and Architecture and Penn State Berks
   b) Strategic Communications Option in the Bachelor of Arts in Advertising/Public Relations: New Option in the College of Communications
   c) Integrated Undergraduate/Graduate program with Bachelor of Science in Energy Business and Finance and Master of Science in Energy and Mineral Engineering: New Program in the College of Earth and Mineral Sciences
   d) Integrated Undergraduate/Graduate program with Bachelor of Science in Energy Engineering and Master of Science in Energy and Mineral Engineering: New Program in the College of Earth and Mineral Sciences
   e) Integrated Undergraduate/Graduate program with Bachelor of Science in Environmental Systems Engineering and Master of Science in Energy and Mineral Engineering: New Program in the College of Earth and Mineral Sciences
   f) Integrated Undergraduate/Graduate program with Bachelor of Science in Mining Engineering and Master of Science in Energy and Mineral Engineering: New Program in the College of Earth and Mineral Sciences
   g) Integrated Undergraduate/Graduate program with Bachelor of Science in Petroleum and Natural Gas Engineering and Master of Science in Energy and Mineral Engineering: New Program in the College of Earth and Mineral Sciences
   h) Air Quality Studies Option and the Climatology Option in the Bachelor of Science in Meteorology: Drop of Options in the College of Earth and Mineral Sciences
   i) Minor in Rehabilitation and Human Services: New Minor in the College of Education
   j) Fitness Studies Option in the Bachelor of Science in Kinesiology: Drop of Option in the College of Health and Human Development
   k) Dietetics Option in the Bachelor of Science in Nutritional Sciences: New Option in the College of Health and Human Development
   l) Bachelor of Arts in Crime, Law and Justice to Bachelor of Arts in Criminology: Change in Name in the College of the Liberal Arts
   m) Bachelor of Science in Crime, Law and Justice to Bachelor of Science in Criminology: Change in Name in the College of the Liberal Arts
   n) Bachelor of Arts in Religious Studies: Phase-Out of Program in the College of the Liberal Arts
   o) Bachelor of Arts in Arts Administration: New Program at Penn State Erie, The Behrend College
   p) Literature Option to Literature, Film, and Culture Option in the Bachelor of Arts in English: Change in Name at Penn State Erie, The Behrend College

2. Information on Graduate Programs

   a) Doctor of Education (D.Ed.) in Curriculum and Instruction in the College of Education: Drop of Program
   b) Nurse Educator Option and Nurse Administrator Option in the Master of Science (M.S.) Degree Program in Nursing in the School of Nursing: New Options
   c) Dual-Title Graduate Degree Program in African Studies in the College of the Liberal Arts: New Program
   d) Master of Arts (M.A.) Degree Program in Music (with changes in Music Theory M.A. Program and Musicology M.A. Program; and dropping the Music Theory and History M.A. Program) in the College of Arts and Architecture: New Program
   Master of Music (M.Mus.) Degree Program in Pedagogy and Performance (with changes in the Piano Pedagogy and Performance (M.Mus.) Program and Voice Performance and Pedagogy, M.Mus.Program) in the College of Arts and Architecture: New Program
   e) Master of Education (M.Ed.) in Adult Education Degree Program and Creation of a Joint M.Ed. (Adult Education)/M.D. Degree Program in the College of Education: Change of Requirements and New Option
B. Committee on Audit, Risk, Legal and Compliance

Chair Eckel reported that a quorum of the Committee on Audit, Risk, Legal and Compliance was present with the following members in attendance: Eckel (chair), Lubert (vice chair), Peetz and Erickson (ex officio), Deviney, Frazier, Greig, and Masser.

The Committee on Audit, Risk, Legal and Compliance recommended that the Board of Trustees approve the following resolutions:

1. WHEREAS, It is the desire of The Pennsylvania State University to be granted a renewal Hotel Liquor License, and

WHEREAS, It is the desire of The Pennsylvania State University to be granted a renewal of Sunday Sales Permit for the sale of alcoholic beverages at The Nittany Lion Inn, and

WHEREAS, It is the desire of The Pennsylvania State University to be granted a renewal of Amusement Permit,

THEREFORE BE IT RESOLVED, That applications of License and Permits to expire January 31, 2014, be filed with The Pennsylvania Liquor Control Board and that Joseph J. Doncsecz, Corporate Controller, and David J. Gray, Senior Vice President for Finance and Business/Treasurer, be authorized and all are authorized to execute the necessary applications and bond, and any other papers required by the Pennsylvania Liquor Control Board.

2. RESOLVED, That Bylaws, Article 4., Committees of the Board of Trustees, be revised to read as follows:

ART. 4. COMMITTEES OF THE BOARD OF TRUSTEES (See Appendix III)

3. RESOLVED, That the applicable provisions of the Standing Orders excerpted below be revised to read as follows:

ORDER I. THE FOLLOWING SPECIAL COMMITTEES AND SUBCOMMITTEES ARE HEREBY ESTABLISHED: [See Appendix III]

The Board voted to approve the action items as recommended by the Committee on Audit, Risk, Legal and Compliance.

The following subcommittee reports were presented for information:

1. Subcommittee on Legal

Vice Chair Lubert advised that the subcommittee has been receiving regular updates from the University's legal team with respect to the civil litigation filed against the University relating to the actions of Jerry Sandusky, the related insurance coverage litigation, the ongoing criminal cases involving Mr. Sandusky, Gary Schultz and Tim Curley, the ongoing state and federal investigations and other related legal matters. With respect to civil litigation, three cases have been filed against the University by John Doe A, C. Miller, and John Doe B. None of these plaintiffs is a victim identified in the Grand Jury Presentments. All three cases have been filed in Philadelphia. The allegations against the University include negligence, negligent supervision, premises liability, intentional infliction of emotional distress and conspiracy to endanger children. Ten additional victims are identified in the Grand Jury Presentments and one other has contacted the University, so an additional case is expected to be filed soon. At the University's request, the John Doe A and C. Miller cases have been
stay pending the criminal proceedings. The case filed by John Doe B is a writ of summons and therefore, no response from the University is currently required. The University has announced that it plans to offer to all plaintiffs an opportunity to resolve claims against the University in a private, efficient manner through a process of facilitated claims resolution. The University's lawyers will soon begin the process of reaching out to the plaintiffs' counsel to discuss this opportunity.

Regarding insurance litigation, Penn State has purchased comprehensive and commercial general liability insurance policies from the Pennsylvania Manufacturers' Association Insurance Company from the 1950s to the present. PMA policies cover, among other things, liability for bodily injury, claims and attorneys' fees incurred in defending Penn State against such claims. Penn State tendered the John Doe A claim to PMA in January 2012. PMC has reserved its right to deny coverage, but provisionally agreed to provide a defense under PMA's 1991-92 CGL policy.

It was previously reported that PMA commenced litigation against the University with respect to its obligations under these insurance policies. It also was previously reported that the University has commenced litigation against PMA to enforce its rights under these policies. The litigation regarding the full extent of PMA's obligations under the policies issued to Penn State remains ongoing. In light of the Sandusky verdict and other recent events regarding the Sandusky matter, Penn State recently has updated its notice to its other insurers that provided general liability coverage to the University over the years and requested, if necessary, their participation in responding to the claims against the University.

With respect to state and federal investigations, the State Attorney General and the United States Attorney's Office for the Middle District of Pennsylvania are continuing their investigations into matters relating to the prosecution of Messrs. Sandusky, Schultz and Curley. The University, through its counsel, is fully cooperating with those investigations. Both inquiries are being conducted through the use of investigative grand juries and, for that reason, the confidentiality of those proceedings must be maintained.

The University continues to monitor the criminal actions against Mr. Schultz and Mr. Curley, which are ongoing, and also Dr. Spanier. Dr. Spanier filed a lawsuit against the University seeking to obtain certain e-mails that the university, at the Attorney General's request did not make available to him. The University filed a response and that lawsuit is ongoing. There is a hearing on this matter scheduled for mid-August.

Mike McQueary filed a writ of summons, which is essentially a notice of his intent to file a whistle-blower lawsuit against the University. No response is due from the University at this time, but it is believed that Mr. McQueary's claims do not have any merit.

This completes the report of the Subcommittee on Legal.

2. **Subcommittee on Audit** - No report of the Subcommittee on Audit was provided.

3. **Special Investigations Task Force** - Kenneth C. Frazier, chair, provided an update on the activities of the task force. His remarks are included in their entirety:

"Thank you, Mr. Chairman.

"It is my privilege now, on behalf of my co-chair, Ron Tomalis, to deliver what I hope will be the last report of the Special Investigations Task Force.

"Yesterday, as you know, Judge Louis Freeh published his report and I believe thereby we delivered on our promise that we made last November to the university community and the broader public. That promise was to conduct a no-holds-barred, comprehensive, independent investigation into the matters that relate to what we now have learned were the crimes committed by one, Gerald Sandusky."
"At that time, we heard the concerns of many observers that this would be a whitewash, that this would not be an honest appraisal of what happened in this university. With the publication of the Freeh Report, I think those concerns should have been allayed by now.

"To quote one newspaper this morning, 'the honesty of the report shocked many observers in that it was sharply critical of the university, several of its senior officials and the board.'

"Another said, 'Louis Freeh didn't pull any punches.'

"I think that the report shows that this University values the search for truth and is willing to engage in painful and critical third-party criticism as well as self-examination.

"As you have heard this morning from Chairman Peetz and President Erickson, as we move forward, we intend to operationalize the recommendations placed in the report, so I won't say any more about that.

"I will say, however, that I believe that this report, and the delivery of this report, reflect Penn State's core values of integrity, openness, rationality and humaneness.

"I want to close by thanking Judge Freeh for his diligence in uncovering so many of the important facts that we now know, facts that were not known before, even to the various prosecutions that were underway.

"Finally, I would like to thank the members of the Special Investigations Task Force who labored diligently through very difficult times over the past few months, and in particular, the three non-board members of that task force, Rodney Hughes, Daniel Hagen and Colonel Guion Bluford. Thank you, very much."

C. **Committee on Finance, Business and Capital Planning**

Chair Strumpf reported that a quorum of the Committee on Finance, Business and Capital Planning was present with the following members in attendance: Strumpf (chair), Silvis (vice chair), Peetz and Erickson (ex officio), Clemens, Cotner, Dambly, Garban, and Hintz.

Chair Strumpf reported that since the last meeting, the Committee heard a report on proposed improvement of the athletic fields at Penn State Abington. The committee also received a presentation on the status of university data centers and the challenge of all of the new needs of the university for consistent and improving data centers.

The Committee on Finance, Business and Capital Planning recommended that the Board of Trustees approve the following resolutions:

1. **RESOLVED, That the conditions governing certain existing scholarships, fellowships, awards, and similar funds previously established at the University be revoked and that the Officers of the University are authorized to put into effect the revised regulations as requested by the donors.**

2. **RESOLVED, That the Board of Trustees gratefully acknowledges the generous contributions of the many friends of the University in support of endowments, funds, and other major commitments as reported to the Committee on Finance, Business and Capital Planning at its meeting of July 13, 2012.**

   **FURTHER BE IT RESOLVED, That the Officers of the University are authorized to convey the Board's appreciation to these generous benefactors who provide opportunities for many students to receive a quality education.**
3. RESOLVED, That the proposed Operating Budget for the University for the fiscal year beginning July 1, 2012, as shown in Attachment I and Schedules I - V which are attached hereto and made a part hereof, is approved. (See Appendix I)

4. RESOLVED, That tuition and fees at all locations are, effective 2012-2013 school year, as shown on the statements attached hereto and which are a part of this resolution. (See Appendix II)

5. RESOLVED, That the Board of Trustees, in recognition of the generosity and vision of J. Lloyd and Dorothy Foehr Huck, approves the naming of the J. Lloyd and Dorothy Foehr Huck Life Sciences Building.

6. Whereas, The Pennsylvania State University's "Priorities for Excellence: The Penn State Strategic Plan 2009-10 through 2013-14," has as one of its stated goals to "Realize Penn State's Potential as a Global University;" and

Whereas, this goal is being implemented in part through the development of the Global Engagement Network (GEN), the central framework for achieving Penn State's vision of global citizenship for all students and global leadership for the University in scholarship, research and international engagement; and

Whereas, GEN develops multi-dimensional, multilateral strategic partnerships in select areas of the world to leverage our limited resources in order to efficiently and effectively achieve greater internationalization of the University; and

Whereas, GEN partnership projects address major global challenges of our time, such as poverty, energy security, sustainability, climate change, food security, global health, youth and family issues, and immigration/migration; and

Whereas, it is desirable to establish as a legal entity a trust in the Republic of South Africa for the purpose of supporting projects and a growing number of other purposes;

THEREFORE, BE IT RESOLVED, That The Pennsylvania State University, as founder, establishes a trust in the Republic of South Africa to be known as the PENN STATE SA TRUST.

FURTHER RESOLVED, that Michael Adewumi, Joseph Doncsecz, and Grant Sheen, in their capacity as trustees be and are hereby authorized to sign the trust deed on behalf of the University contingent upon the satisfactory review by the Vice President and General Counsel.

The Board voted to approve the action items as recommended by the Committee on Finance, Business and Capital Planning. [Action Item C.6 reflects an amendment made at the meeting. Subsequent to the meeting, the Vice President and General Counsel advised that Penn State has followed appropriate due diligence in this process.]

The Committee received the following items for information:

1. Carpenter, Deike, and Willard Buildings Electrical Service Upgrades, University Park
2. Animal Diagnostics Laboratory and Dairy Complex Standby Generators, University Park
3. Core Imaging Facility, Basic Science Building, The Milton S. Hershey Medical Center
4. Hetzel Union Building Energy Conservation Measures, Chilled Water Connection & Pipe Replacement, University Park
5. Naming of Rooms, Portions of Buildings and Plazas

a) Relocate the following previously named spaces in the Information Sciences & Technology Building. The rooms are no longer used for activities that meet the donors’ original intentions.

   The David Burstin Seminar Room--relocate from Room 201A to Room 105
   The Honeywell Club Room--relocate from Room 201B to Room 106
   Xerox Display and Demo Lab--relocate from Room 211 to Room 107
   Kimberly-Clark Display and Demo Lab--relocate from Room 215 to Room 108

b) Name a Study Room within the Adaptive Technology Services area, Knowledge Commons, Pattee Library, in recognition of a gift from Mary Lynn Englerth Keller. The recognition plaque should read: In Memory of Isabel Spahr Englerth Adaptive Technology Services Study Room

c) Name the Electrical Laboratory (Room 116), Gaige Technology and Business Innovation Building, Penn State Berks, in recognition of a commitment from East Penn Manufacturing Company, Inc. The recognition plaque should read: The East Penn Manufacturing Company, Inc. Electrical Laboratory

6. Purchase of Portions of Rockview Property, University Park

7. Status of Major Construction Programs and Borrowing

8. Summary and Designation of Gifts Received by the University

9. A photo report on the progress of selected construction projects was presented including: the Children’s Hospital, The Milton S. Hershey Medical Center, Eva J. Pell Laboratory for Advanced Biological Research at University Park, and the Chilled Water and Steam distribution systems at University Park.

D. Committee on Governance and Long-Range Planning

Chair Broadhurst reported that a quorum of the Committee on Governance and Long-Range Planning was present with the following members in attendance: Broadhurst (chair), Peetz and Erickson (ex officio), Arnelle, Clemens, Masser, Myers and Shaffer.

The Committee on Governance and Long-Range Planning recommended that the Board of Trustees approve the following resolutions:

1. RESOLVED, That Article 7 of the Bylaws of The Pennsylvania State University is amended as follows:

   ART. 7. MISCELLANEOUS PROVISIONS (See Attachment III)

2. RESOLVED, That Order VIII of the Standing Orders of The Pennsylvania State University is amended as follows:

   ORDER VIII. RULES AND REGULATIONS FOR THE CONDUCT OF PUBLIC MEETINGS OF THE BOARD OF TRUSTEES, ITS STANDING COMMITTEES AND ITS SPECIAL COMMITTEES (See Attachment III)

The Board voted to approve the action items as recommended by the Committee on Governance and Long-Range Planning.

E. Committee on Outreach, Development and Community Relations

Chair Dambly reported that a quorum of the Committee on Outreach, Development and Community Relations was present with the following members in attendance: Dambly (chair), Suhey (vice chair), Peetz and Erickson (ex officio), Allan, Deviney, Huber and Lubrano.
Chair Dambly reported that since its last meeting, the Committee has welcomed several representatives to help in our mission outreach and improved communications with our constituents and our communities. Edelman and LaTorre Communications has continued to support the University in corporate communications, media relations, and stakeholder engagement. Accomplishments to date as well as future initiatives were reviewed.

Legal Matters

R. Mark Faulkner, Interim Vice President and General Counsel stood on the report from Trustee Lubert and the Subcommittee on Legal.

Election of Members to the Board of Directors: Agricultural Law Resource and Reference Center, The Dickinson School of Law of The Pennsylvania State University

The Board of Trustees voted to adopt the following resolution:

RESOLVED, That the Board of Trustees elects Trustee Samuel E. Hayes, Jr. and Trustee Betsy E. Huber to serve on the Board of Directors of the Agricultural Law Resource and Reference Center of The Dickinson School of Law of The Pennsylvania State University.

Informational Report on For the Future: The Campaign for Penn State Students

Mr. Peter G. Tombros, Chair of For the Future: The Campaign for Penn State Students, presented an informational report on the Campaign and University Development. [A visual presentation was made.]

Informational Report on the Penn State Alumni Association Activities

A report on the activities of the Penn State Alumni Association was presented by Kathleen Arnold Smarilli, President of the Penn State Alumni Association for 2011-2012. [A visual presentation was made.]

Recommendation for Approval to Grant Honorary Degree

The Board of Trustees voted to adopt the following resolution:

RESOLVED, That the Board of Trustees approves the granting of the Honorary Doctorate of Humane Letters to Howard G. Buffet at an upcoming commencement ceremony.

Announcements by the Chairman of the Board of Trustees

Chairman Peetz had the following remarks:

"I would like to close by thanking Mary-Beth Krogh-Jespersen and her staff for hosting our meeting here at Penn State Worthington Scranton--it was a truly enjoyable experience. Thanks so very much, Mary-Beth.

"Before we adjourn, let me take this opportunity to remind everybody that we will do a short press availability in Room 112 beginning shortly after the conclusion of the meeting. More importantly, let me be clear that this has been a difficult week for our University. Much as they have been for the last several months, our thoughts this week have been with the victims of Jerry Sandusky. But our thoughts have also focused on the actions--and missteps--of others in our University community.

"Today is a time for accepting accountability for those missteps, and committing to move forward under the highest mantle of integrity and responsibility.

"It is a process that we began in the darkest days in November, and one that we continue with greater clarity today. It is a process that will take time. But working together, we will turn a new chapter for our University. We will move forward."
The meeting adjourned at 5:17 p.m.

Respectfully submitted,

Paula R. Ammerman
Associate Secretary
Board of Trustees